Richland Hills

FY 2024-25

City of Richland Hills, Texas

Annual Comprehensive Financial Report for the Fiscal Year Ended September 30, 2025

CITY OF RICHLAND HILLS, TEXAS

ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the Fiscal Year Ended
September 30, 2025

Prepared by the Finance Department

THIS PAGE INTENTIONALLY LEFT BLANK

CITY OF RICHLAND HILLS, TEXAS
Annual Comprehensive Financial Report
For the Fiscal Year Ended September 30, 2025

TABLE OF CONTENTS

	Exhibit Number	Page Number
INTRODUCTORY SECTION		
Letter of transmittal		i - iii
GFOA Certificate of Achievement		iv
List of Principal Officials		v
Organizational Chart		vi
FINANCIAL SECTION		
Independent Auditor's Report		1 - 3
Management's Discussion and Analysis		4 - 15
Basic Financial Statements:		
Government-wide Financial Statements		
Statement of Net Position	A-1	16
Statement of Activities	B-1	17 - 18
Fund Financial Statements		
Balance Sheet - Governmental Funds	C-1	19 - 20
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	C-2	21
Statement of Revenues, Expenditures and Changes in Fund Balances-Governmental Funds	C-3	22 - 23
Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances of the Governmental Funds to the Statement of Activities	C-4	24
Statement of Net Position - Proprietary Funds	D-1	25
Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Funds	D-2	26
Statement of Cash Flows - Proprietary Funds	D-3	27
Notes to the Financial Statements		28 - 56
Required Supplementary Information:		
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund	E-1	57
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Crime Control District	E-2	58
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Richland Hills Development Corporation	E-3	59
Schedule of Changes in Net Pension Liability and Related Ratios	E-4	60 - 61
Schedule of Contributions	E-5	62 - 63
Schedule of Changes in OPEB Liability and Related Ratios	E-6	64
Notes to Required Supplementary Information		65 - 66

CITY OF RICHLAND HILLS, TEXAS
Annual Comprehensive Financial Report
For the Fiscal Year Ended September 30, 2025

TABLE OF CONTENTS

	Exhibit Number	Page Number
Combining and Individual Fund Statements and Schedules		
Nonmajor Governmental Funds - Combining Balance Sheet	F-1	67 - 70
Nonmajor Governmental Funds - Combining Statement of Revenues, Expenditures and Changes in Fund Balance	F-2	71 -74
Court Building Security Special Revenue Fund - Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	G-1	75
Court Technology Special Revenue Fund - Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	G-2	76
Hotel Occupancy Tax Special Revenue Fund - Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	G-3	77
Link Operations Special Revenue Fund - Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	G-4	78
Debt Service Fund - Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	G-5	79
Road and Street Capital Projects Fund - Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	G-6	80
Oil & Gas Lease Capital Projects Fund - Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	G-7	81
Special Events Fund - Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	G-8	82
Baker Boulevard Projects - Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	G-9	83
Vehicle Replacement - Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	G-10	84

	Table Number	Page Number
STATISTICAL SECTION (UNAUDITED)		
Financial Trends		
Net Position by Component	1	85
Changes in Net Position	2	86 - 87
Fund Balances - Governmental Funds	3	88 - 89
Changes in Fund Balances - Governmental Funds	4	90 - 91
Revenue Capacity		
Governmental Funds - Tax Revenue by Source	5	92
Assessed and Estimated Actual Value of Taxable Property	6	93
Direct and Overlapping Property Tax Rates	7	94
Principal Property Taxpayers	8	95
Property Tax Levies and Collections	9	96
Sales Tax Collections by Fund	10	97

CITY OF RICHLAND HILLS, TEXAS
Annual Comprehensive Financial Report
For the Fiscal Year Ended September 30, 2025

TABLE OF CONTENTS

	Table Number	Page Number
Debt Capacity		
Ratios of Total Outstanding Debt by Type	11	98 - 99
Ratios of General Bonded Debt Per Assessed Value and Per Capita	12	100
General Bonded Debt as a Ratio of Annual Governmental Expenditures	13	101
Direct and Overlapping Governmental Activities Debt	14	102
Computation of Legal Debt Margin	15	103
Demographic and Economic Information		
Demographic and Economic Statistics	16	104
Operating Information		
Operating Indicators by Function/Program	17	105
Capital Assets Statistics by Function/Program	18	106
Full-time Equivalent City Government Employees	19	107

OVERALL COMPLIANCE AND INTERNAL CONTROL SECTION

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*		108 - 109
Schedule of Findings and Questioned Costs		110 - 112

THIS PAGE INTENTIONALLY LEFT BLANK

INTRODUCTORY SECTION

THIS PAGE INTENTIONALLY LEFT BLANK

Richland Hills
3200 Diana Drive | Richland Hills, TX, 76118
817-616-3812 | richlandhills.com

March 27, 2026

The Honorable Mayor, Members of the City Council,
and Citizens of Richland Hills (the "City")

Submitted herewith is the Annual Comprehensive Financial Report (ACFR) of the City of Richland Hills, Texas, for the fiscal year ended September 30, 2025. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of the operations of the City, on a Government-wide and Fund basis. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

The Governmental Accounting Standards Board (GASB) requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of management's discussion and analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the independent auditor's report.

THE REPORTING ENTITY

The City of Richland Hills is a political subdivision of the State, incorporated as a municipal corporation in 1950. The City operates under the laws of the State and the City's home rule charter, approved by the citizens in 1985 as a council-manager form of government. Policy-making and legislative authority are vested in a governing city council consisting of the mayor and five other members. The city council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees, and hiring the government's city manager. The city manager is responsible for carrying out the policies and ordinances of the council, for overseeing the day-to-day operations of the government, and for appointing the heads of the various departments. In May 2023, a charter amendment was approved by the voters that increased the number of Council members by adding a Council member seat (Place 6). Effective with elections beginning in 2024, the Mayor and Council members shall be elected for terms of three years. To transition to three year terms per the May 2023 amendment, the terms will be as follows: the Mayor and Place 2 and Place 4 will fulfill their two year terms and be elected to three year terms upon expiration of their current term in 2024. Place 1 will be elected to a three year term upon expiration of their current two year term in 2025. The current terms of Place 3 and Place 5 will be extended one year to expire in 2026 and then Place 3 and Place 5 will be elected to a three year term. Lastly, the newly created Place 6 will serve a two year term set to expire in 2025 and then Place 6 will be elected to a three year term. The mayor and council members are elected from the community at large. The City is empowered to levy a property tax on both real and personal properties located within its boundaries. The City of Richland Hills voters approved a one percent local sales and use tax at an election held on December 5, 1967.

The City provides a full range of municipal services that include police and fire protection, emergency medical services, animal control services, municipal court, construction and maintenance of streets and drainage infrastructure, planning and zoning, economic development, code enforcement, library services, parks and recreational activities and cultural events, and general administrative services. Water and wastewater services and sanitation services are provided as an operation of the City and therefore have been included as an integral part of the City's financial statements. The Richland Hills Development Corporation (a Type B Economic Development Corporation) and Richland Hills Crime Control and Prevention District are legally separate entities but are in substance part of the government's operation and are included in the ACFR.

ECONOMIC OUTLOOK AND FINANCIAL CONDITION

Richland Hills is situated in Northeast Tarrant County in the middle of the Dallas-Fort Worth Metroplex, the major metropolitan area in the north central part of the state, and is approximately 7 miles from downtown Fort Worth, 30 miles from downtown Dallas, and approximately 15 miles from DFW International Airport. Richland Hills is served by three state-numbered highways, SH 121, SH 26, and SH 10 (Baker Blvd. in Richland Hills), as well as the Trinity Railway Express (TRE), a commuter rail line between Fort Worth and Dallas operated jointly by Dallas Area Rapid Transit (DART) and the Fort Worth Transit Authority (The T). The City of Richland Hills occupies a land area of 3.9 square miles, is approximately 98% developed, and serves an estimated population of 8,546.

As it is widely recognized, revenue sources for municipalities are primarily driven from ad-valorem (property), sales and use taxes. In 2025, Richland Hills experienced a 6% increase in net assessed taxable value due to an increase in residential and commercial property valuation and an upward trend in economic recovery. The property tax base remains diverse with the top ten taxpayers accounting for 12.3% of the total assessed value. In the General Fund, property tax revenues accounted for 30% and sales tax accounted for 47% of total revenues.

ACCOUNTING SYSTEM AND BUDGETARY CONTROL

To provide a reasonable basis for making these representations, the City has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with generally accepted accounting principles (GAAP) for local governments, as prescribed by the Governmental Accounting Standards Board (GASB) and other recognized professional standards. Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that assets are safeguarded and that the financial statements will be free from material misstatement.

The City's accounting records for general governmental operations are maintained on a modified accrual basis. Under this method of accounting, expenditures are recognized when the services or goods are received, and the liability is incurred. Revenues are recognized when measurable and available. Accounting records for the proprietary funds are maintained on the accrual basis.

The annual budget serves as the foundation for the City's financial planning and control. All City departments are required to submit requests for appropriation to the city manager by April of each year. The city manager uses these requests as the starting point for developing a proposed budget. The city manager then presents this proposed budget to the Council for review by at least 60 days prior to October 1. The Council is required to hold a public hearing on the proposed budget and to adopt a final budget by no later than September 30, the close of the City's fiscal year. The appropriated budget is prepared by fund and department. The city manager is authorized to transfer budgeted amounts between line items within any fund. Any revisions that alter the total expenditures of any fund require special approval of the Council.

RELEVANT FINANCIAL POLICIES

The Financial Policies enable the City to achieve a long-term stable and positive financial condition. Annual estimates of revenue in both the General Fund and Proprietary Funds are based on historical trends and reasonable expectation of growth. A conservative approach is observed in estimating revenues, so that revenue estimates will not be overstated. To protect from fluctuations in revenue sources due to fluctuations in the economy and variations in weather, a diversified revenue system is also maintained. In addition, it is also the City's policy that one-time, or non-recurring revenues, will not be used to finance current ongoing operations. Non-recurring revenues are used only for one-time expenditures such as capital needs. Every fiscal year, each possible program addition or service level change is analyzed in terms of its potential financial impact as part of the budget package decision making process. This process enables the City to

make assumptions about future debt and operational funds capacity. The City has also identified projects based on their critical nature and the timeliness of available financing for these projects. The City Council continued its strategic planning process to identify goals and objectives for long range planning. Directives from the City Council are utilized to help guide the budget planning and service and program implementation.

INDEPENDENT AUDIT

The Richland Hills City Charter requires an annual audit by an independent certified public accountant. George, Morgan & Sneed P.C., a firm of licensed certified public accountants, was selected by the City Council to audit the City's financial statements. The audit report will be available for public inspection and the original copy will be kept as a permanent record of the City.

The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended September 30, 2025, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation.

The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City's financial statements for the fiscal year ended September 30, 2025, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

AWARDS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Richland Hills for its annual comprehensive financial report for the fiscal year ended September 30, 2024. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized annual comprehensive financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current annual comprehensive financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate. The City of Richland Hills has received the Certificate of Achievement for the past nineteen years.

ACKNOWLEDGMENTS

The preparation of this report could not have been accomplished without the cooperation of City employees throughout the organization. Sincere appreciation is also expressed to the Mayor and City Council for their continued interest and support in the conduct of the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,

Jason Moore

Jason Moore
City Manager

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Richland Hills
Texas

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

September 30, 2024

Christopher P. Morrill

Executive Director/CEO

CITY OF RICHLAND HILLS, TEXAS

LIST OF PRINCIPAL OFFICIALS

SEPTEMBER 30, 2025

CITY COUNCIL

CURTIS BERGTHOLD, MAYOR

MIKE WITT, PLACE 1

TRAVIS MALONE, PLACE 2

THERESA BLEDSOE, PLACE 3

JOHN SKIER, MAYOR PRO TEM, PLACE 4

G.W. ESTEP, PLACE 5

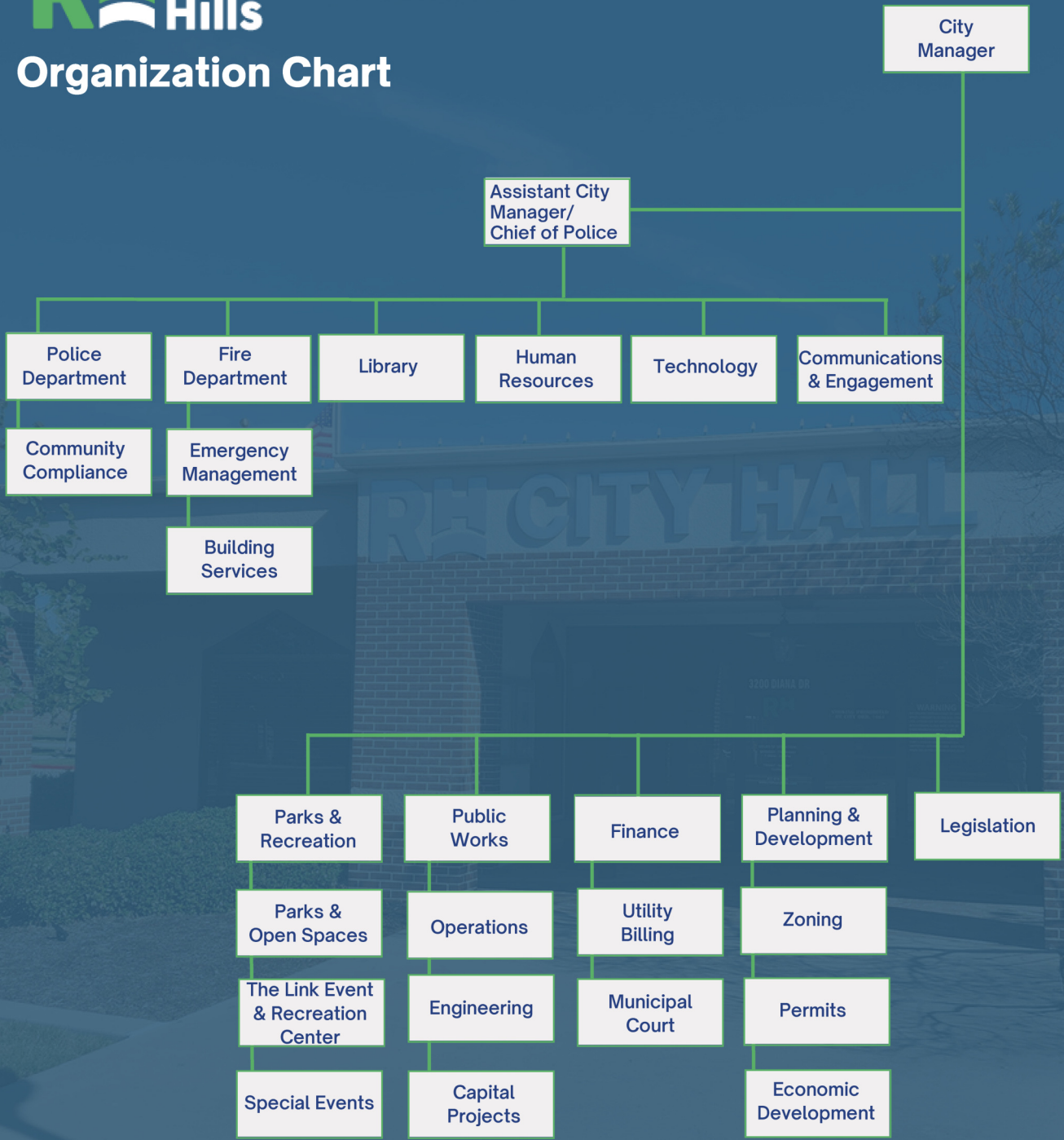
ROLAND GOVEAS, PLACE 6

CITY STAFF

JASON MOORE, CITY MANAGER
KIMBERLY SYLVESTER, ASSISTANT CITY MANAGER/CHIEF OF POLICE
WES RHODES, FIRE CHIEF
JP DUCAY, DIRECTOR OF PLANNING AND DEVELOPMENT SERVICES
ERIC VALDEZ, PARKS & RECREATION DIRECTOR
LISA BOYD, INTERIM CITY SECRETARY
CHANTELE HANCOCK, LIBRARY DIRECTOR
TERRY LEAKE, FINANCE SPECIALIST

Richland Hills

Organization Chart



FINANCIAL SECTION

THIS PAGE INTENTIONALLY LEFT BLANK

GMS CERTIFIED PUBLIC ACCOUNTANTS
GEORGE | MORGAN | SNEED

Independent Auditor's Report

To the Honorable Mayor and City Council
City of Richland Hills, Texas

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of City of Richland Hills, Texas (the "City"), as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2025, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Richland Hills, Texas and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

George, Morgan & Sneed, P.C.
1849 Wall Street | Weatherford, TX 76086 | *Phone* 817.594.2704 | *Fax* 817.599.7389
www.gms-cpa.com

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 4 – 15 and budgetary comparison schedule – general fund, budgetary comparison schedule – crime control district, schedule of changes in net pension liability and related ratios, schedule of contributions, and schedule of changes in OPEB liability and related ratios on pages 57 - 66 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic

financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual fund statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund statements and schedules are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

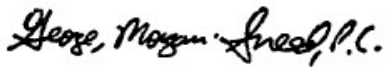
Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2026, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



George, Morgan & Sneed, P.C.
Weatherford, Texas
March 27, 2026

THIS PAGE INTENTIONALLY LEFT BLANK

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Richland Hills, Texas, we offer readers of The City of Richland Hills' financial statements this narrative overview and analysis of the financial activities of the City of Richland Hills for the year ended September 30, 2025. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in the introductory section of this report.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City of Richland Hills exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by $53,608,060 (*net position*) compared to $50,907,147 for the prior year. Of this amount, $9,306,721 (*unrestricted net position)* may be used to meet the City's ongoing obligations to citizens and creditors.

- The City's total net position increased by $3,182,686. The City's governmental activities net position increased by $2,387,178 and the business-type activities net position increased $795,508.

- As of the close of the current year, the City of Richland Hills's governmental funds reported combined ending fund balances of $22,987,205 compared to $22,306,107 for the prior year. $4,050,881 is available for spending at the City's discretion (unassigned fund balance).

- At the end of the current year, unassigned fund balance for the general fund was $4,081,893, or 41% of total general fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the City of Richland Hills's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the City's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference between these reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and fees).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, culture and recreation, parks and beautification, community development and economic development. The business-type activities of the City include water and sewer and drainage utility.

The government-wide financial statements can be found on Exhibits A-1 and B-1 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains twenty seven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, Crime Control District special revenue fund, road and street capital projects fund, Richland Hills Development Corporation fund and 2023 Series CO's Paving capital project fund which are considered major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The basic governmental fund financial statements can be found on Exhibits C-1 through C-4 of this report.

Proprietary funds. The City maintains one type of proprietary fund. The enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water and sewer operations and drainage utility operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer fund and drainage utility fund.

The basic proprietary fund financial statements can be found on Exhibits D-1 through D-3 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 28-56 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information that further explains and supports the information in the financial statements. Required supplementary information can be found on Exhibits E-1 and E-5 of this report.

The combining and individual nonmajor governmental funds statements and schedules are presented immediately following the required supplementary information. These statements can be found on Exhibits F-1 through G-10 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $53,608,060 as of September 30, 2025.

The largest portion of the City's net position (61%) reflects its investment in capital assets (e.g. land, improvements other than buildings, buildings, machinery and equipment, streets and construction in progress); less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (22%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position of $9,306,721 may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current year, the City is able to report positive balances in all three categories of net position for the government as a whole, as well as for its separate governmental activities and business-type activities.

Below are summaries of the City's Statement of Net Position and Statement of Activities.

Condensed Statement of Net Position

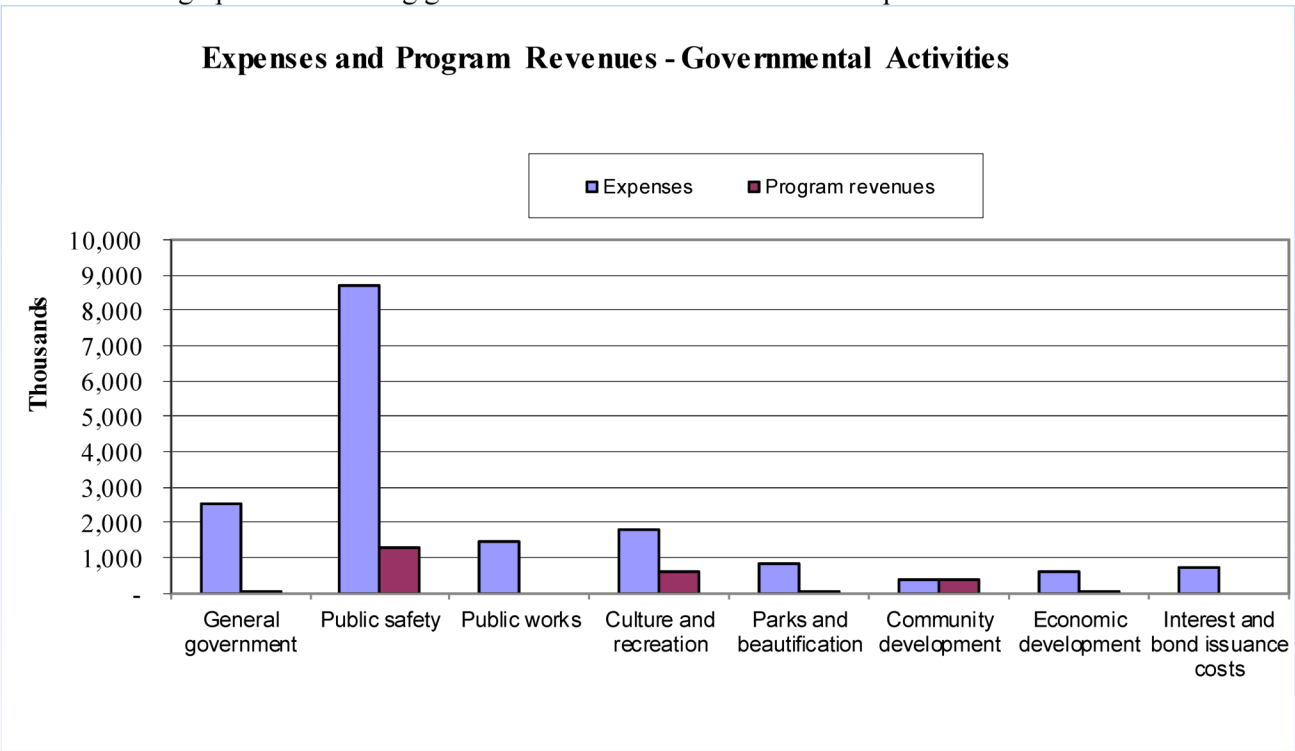
	Governmental Activities		Business-type Activities		Total	
	09/30/2025	09/30/2024	09/30/2025	09/30/2024	09/30/2025	09/30/2024
Current and other assets	$ 26,233,667	$ 24,838,681	$ 7,360,117	$ 8,034,963	$ 33,593,784	$ 32,873,644
Capital assets	32,791,841	32,866,117	22,580,504	21,897,551	55,372,345	54,763,668
Total Assets	59,025,508	57,704,798	29,940,621	29,932,514	88,966,129	87,637,312
Deferred outflows of resources	891,326	1,927,902	146,510	317,315	1,037,836	2,245,217
Total deferred outflows	891,326	1,927,902	146,510	317,315	1,037,836	2,245,217
Current liabilities	1,840,484	1,539,965	1,207,359	1,099,334	3,047,843	2,639,299
Long-term liabilities	25,470,561	27,605,562	7,381,374	8,427,514	32,851,935	36,033,076
Total liabilities	27,311,045	29,145,527	8,588,733	9,526,848	35,899,778	38,672,375
Deferred inflows of resources	434,870	261,949	61,257	41,058	496,127	303,007
Total deferred inflows	434,870	261,949	61,257	41,058	496,127	303,007
Net Position:						
Net investment in capital assets	15,517,637	14,647,220	17,160,206	14,123,570	32,677,843	28,770,790
Restricted	11,623,496	10,502,087	-	-	11,623,496	10,502,087
Unrestricted	5,029,786	5,075,917	4,276,935	6,558,353	9,306,721	11,634,270
Total Net Position	$ 32,170,919	$ 30,225,224	$ 21,437,141	$ 20,681,923	$ 53,608,060	$ 50,907,147

Changes in Net Position

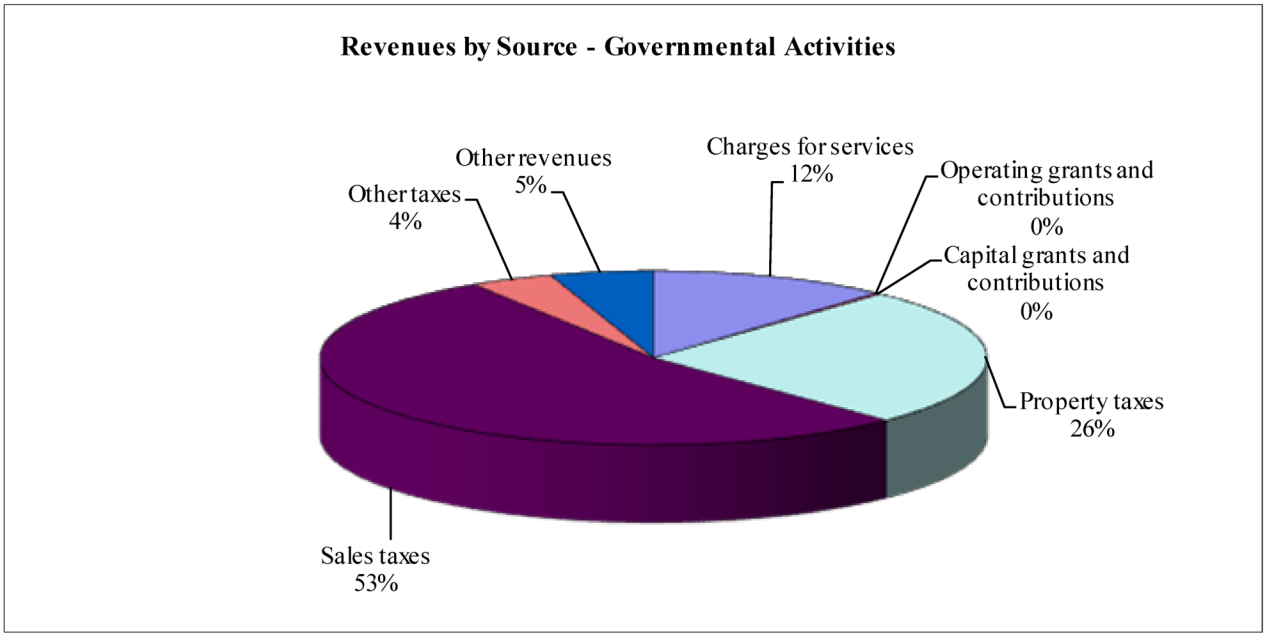
	Governmental Activities		Business-type Activities		Total	
	09/30/2025	09/30/2024	09/30/2025	09/30/2024	09/30/2025	09/30/2024
Revenues:						
Program revenues:						
Charges for services	$ 2,261,055	$ 1,880,785	$ 6,477,146	$ 6,006,235	$ 8,738,201	$ 7,887,020
Operating grants and contributions	56,735	43,225	-	-	56,735	43,225
Capital grants and contributions	-	264,036	343,977	2,408,398	343,977	2,672,434
General revenues:						
Property taxes	5,037,324	4,913,654	-	-	5,037,324	4,913,654
Sales taxes	10,372,434	10,476,231	-	-	10,372,434	10,476,231
Franchise taxes	549,722	561,375	-	-	549,722	561,375
Hotel Occupancy taxes	236,375	250,237	-	-	236,375	250,237
Investment earnings	697,243	856,765	347,844	397,465	1,045,087	1,254,230
Miscellaneous revenue	275,186	224,112	-	-	275,186	224,112
Total revenues	19,486,074	19,470,420	7,168,967	8,812,098	26,655,041	28,282,518
Expenses						
General government	2,553,043	2,177,264	-	-	2,553,043	2,177,264
Public safety	8,687,503	8,273,945	-	-	8,687,503	8,273,945
Public works	1,484,275	1,362,954	-	-	1,484,275	1,362,954
Culture and recreation	1,797,808	1,800,173	-	-	1,797,808	1,800,173
Parks and beautification	836,087	842,582	-	-	836,087	842,582
Community development	403,685	575,354	-	-	403,685	575,354
Economic development	607,365	480,885	-	-	607,365	480,885
Interest and fiscal agent charges	741,157	765,733	-	-	741,157	765,733
Bond issuance costs	-	135,291	-	-	-	135,291
Water and sewer	-	-	5,468,928	5,238,219	5,468,928	5,238,219
Drainage Utility	-	-	892,504	623,801	892,504	623,801
Total expenses	17,110,923	16,414,181	6,361,432	5,862,020	23,472,355	22,276,201
Increase (decrease) in net position before transfers	2,375,151	3,056,239	807,535	2,950,078	3,182,686	6,006,317
Transfers	12,027	17,670	(12,027)	(17,670)	-	-
Increase (decrease) in net position	2,387,178	3,073,909	795,508	2,932,408	3,182,686	6,006,317
Net Position October 1 - Restated	29,783,741	27,151,315	20,641,633	17,749,515	50,425,374	44,900,830
Net Position September 30	$ 32,170,919	$ 30,225,224	$ 21,437,141	$ 20,681,923	$ 53,608,060	$ 50,907,147

Governmental Activities. Governmental activities increased the City's net position by $2,387,178 in the current year compared with a $3,073,909 increase in the prior year. Total governmental activities revenues increased $15,654 (.08%) to $19,486,074. Property taxes increased $123,670 due to an increase in assessed property values. Sales tax decreased $103,797 due to decrease in overall sales generated in the City. Total governmental activities expenses increased $696,742 from the prior year. Expenses increased primarily due to increased salaries and wages and pension expense in the current year.

Below are two graphs summarizing governmental activities revenue and expense:

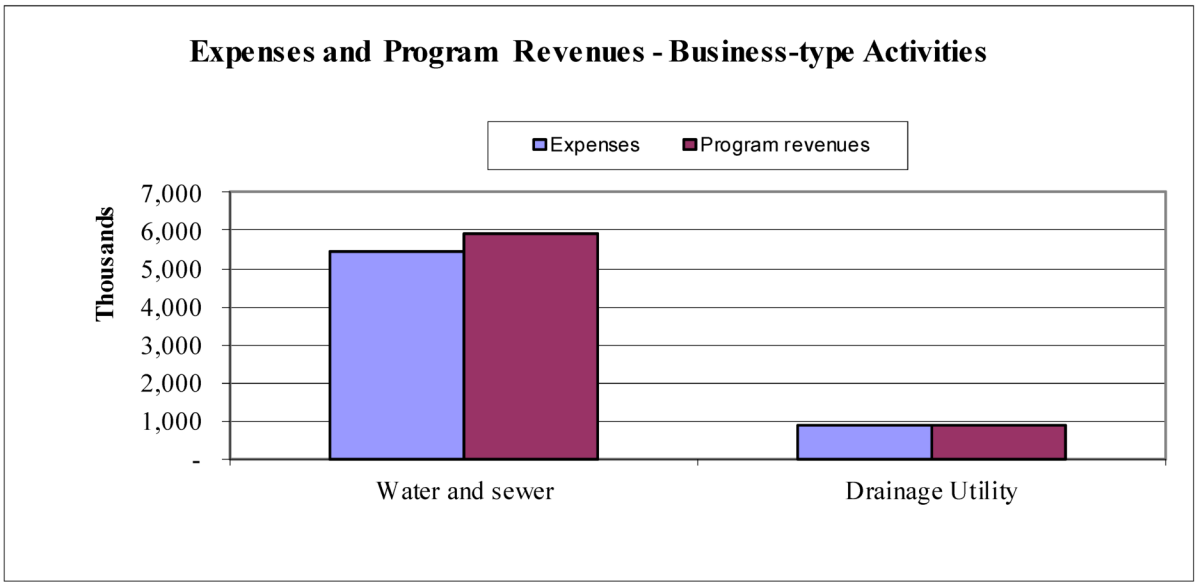


****

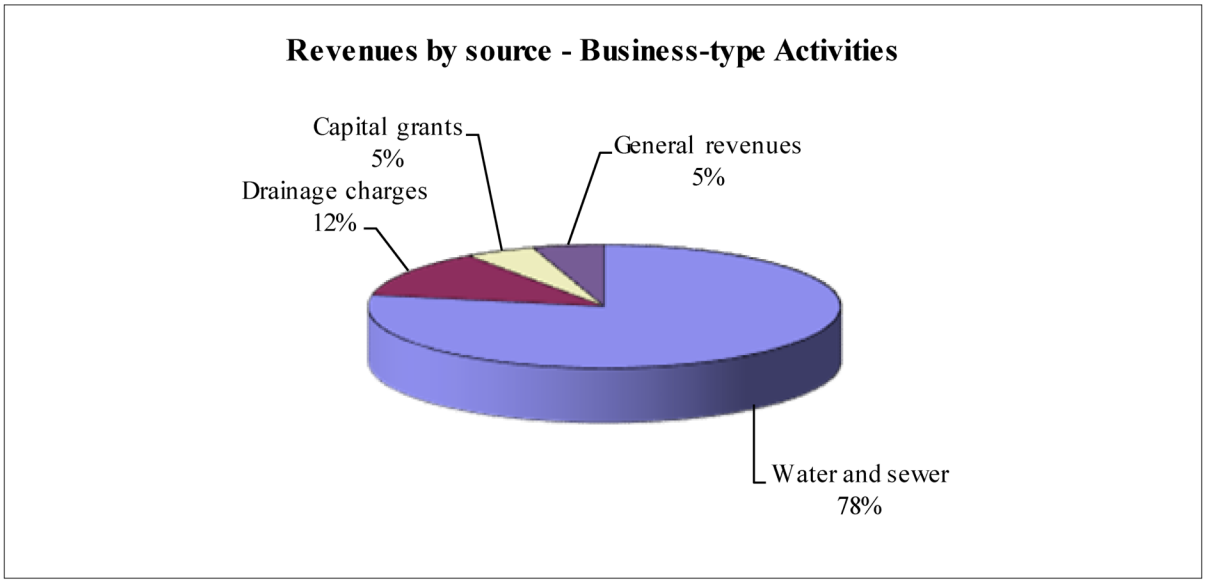

Revenues by Source - Governmental Activities
Other revenues 5%
Charges for services 12%
Other taxes 4%
Operating grants and contributions 0%
Capital grants and contributions 0%
Property taxes 26%
Sales taxes 53%

Business-type activities. Business-type activities increased the City's net position by $795,508 in the current year compared to an increase in net position of $2,932,408 in the prior year. The business-type activities total revenues decreased $1,643,131 (23%) to $7,168,967 primarily due to the grants for water backup power and developer contributions of public infrastructure improvements in Richland Crossing in the previous year. Total expenses increased $499,412 (8%) to $6,361,432 primarily because of salary and wage increases along with an increase in maintenance and repairs in the current year.

Below are two graphs summarizing business-type activities revenue and expense:



****



Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At year end, the City's governmental funds reported combined ending fund balances of $22,987,205. $4,050,881 (18%) constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is nonspendable, restricted and assigned to indicate that it is not available for new spending because it has already been committed for projects and debt service.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was $4,081,893. Fund balance of the general fund decreased $590,755 compared to a increase of $683,329 in the prior year. Key factors in this increase are as follow:

- Revenues decreased $173,211 (1.6%). General fund sales taxes decreased $123,804 due to a decrease in overall sales in the City. Investment earnings decreased $110,689 due to an decrease in interest rates. Property tax revenue increase $53,013 due to increase in assessed values.

- Expenditures increased $748,249 (8%). Public safety increased $565,917 primarily due to pay increases and more positions filled. General government increased $185,573 due to an increase in administrative staff.

- Transfers out increased $516,214 due additional transfer to other governmental funds for capital projects, economic development and link development.

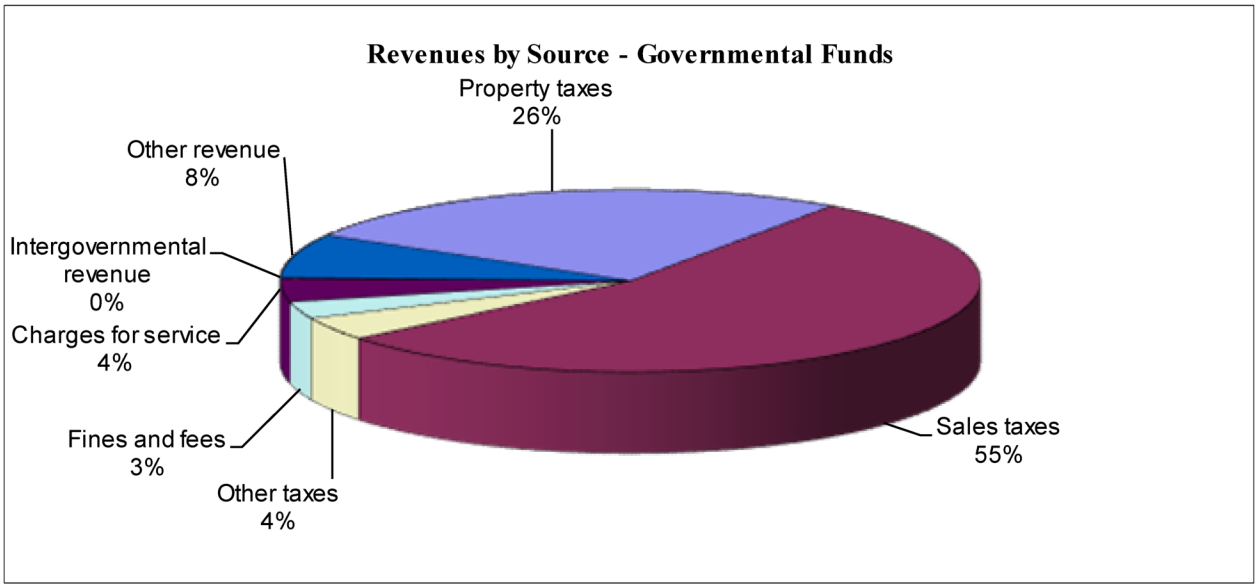
The Crime Control and Prevention District is funded with a .375% sales tax. Sales tax revenue of the Crime Control and Prevention District was $2,063,176, an increase of $109,978 and funded police expenditure were $1,660,219. Fund balance at year-end is $1,617,360.

The road and street capital projects fund is funded with a .375% sales tax. Sales tax revenue of the road and street fund was $1,916,968, a decrease of $49,278 and funded capital projects of $1,727,898. Fund balance at year-end is $3,336,805.

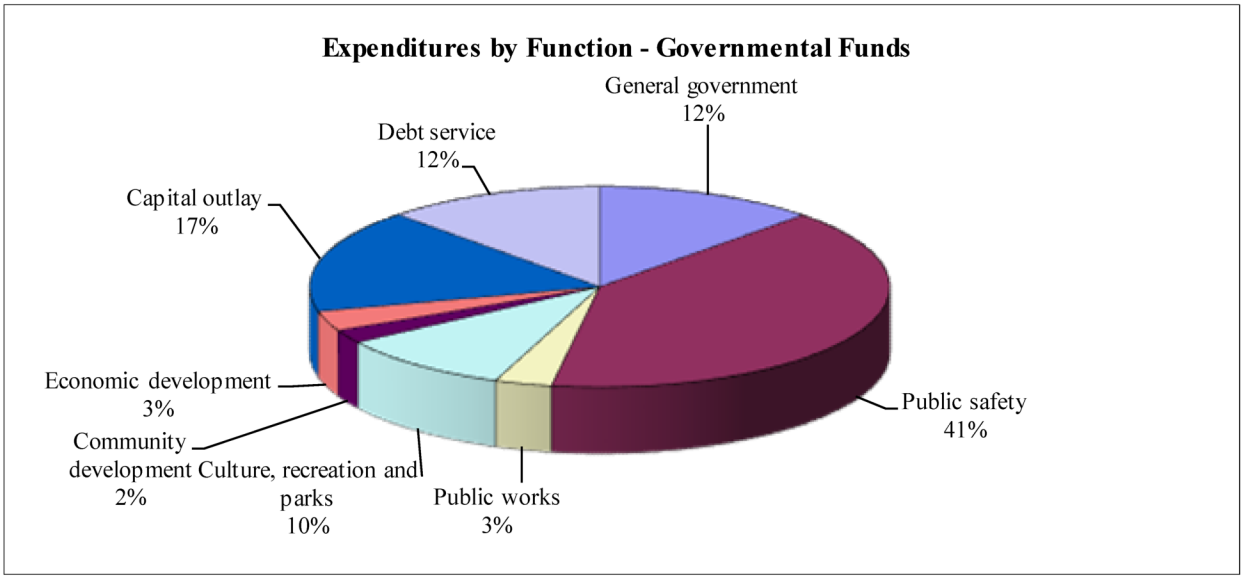
The Richland Hills Development Corporation is funded with a .125% sales tax. Sales tax revenue of the Richland Hills Development Corporation fund was $1,277,991, a decrease of $32,840 and funded economic development projects of $609,897. Fund balance at year-end is $3,434,529.

The 2023 Series CO's Paving fund received $226,699 in investment earnings, a decrease of $30,081 due to declining interest rates and funded capital projects of $554,983. Fund balance at year-end is $4,680,509.

Below are two graphs summarizing governmental fund revenue and expenditures.



****



Proprietary funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the Water and Sewer Fund and Drainage Utility Fund at the end of the year were $3,757,545 and $519,390 respectively. The Water and Sewer Fund net position increased $807,904 and Drainage Utility Fund net position decreased $12,396. Factors concerning the finances of these two funds have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

The City amended its budget during the year. Revenues were decreased $139,000 and expenditures were increased $77,150. During the year, actual revenues and expenditures were $371,799 and $161,153 less than budgeted, respectively.

Capital Assets

The City's investment in capital assets for its governmental and business type activities as of September 30, 2025, amounts to $55,372,345, (net of accumulated depreciation). This investment in capital assets includes land, buildings, water and sewer systems, improvements other than buildings, machinery and equipment, and infrastructure.

Major capital asset events during the current fiscal year included the following:

Governmental Activities:

- 2025 and 2024 street improvements $2,305,715
- SCBA breathing apparatuses 23,240

Business-type activities:

- Water backup power project in progress $274,653
- Water system improvements 507,329
- Sewer system improvements 160,550
- Water and sewer improvements in progress 794,912
- Dump truck 125,169

The City of Richland Hills's Capital Assets
(Net of Depreciation)

	Governmental Activities		Business-type Activities		Total	
	09/30/2025	09/30/2024	09/30/2025	09/30/2024	09/30/2025	09/30/2024
Land	$ 830,414	$ 830,414	$ 256,267	$ 256,267	$ 1,086,681	$ 1,086,681
Construction in progress	1,942,725	1,429,384	970,716	1,535,481	2,913,441	2,964,865
Buildings	15,638,154	16,092,388	50,428	54,965	15,688,582	16,147,353
Improvements	2,407,288	2,871,204	5,712,482	5,930,829	8,119,770	8,802,033
Water and sewer systems	-	-	13,664,004	13,723,114	13,664,004	13,723,114
Machinery and equipment	960,993	1,489,171	1,757,627	215,468	2,718,620	1,704,639
Infrastructure	9,944,154	9,048,944	-	-	9,944,154	9,048,944
Leased machinery & equip	1,068,113	1,104,612	168,980	181,427	1,237,093	1,286,039
Total	$ 32,791,841	$ 32,866,117	$ 22,580,504	$ 21,897,551	$ 55,372,345	$ 54,763,668

Additional information on the City's capital assets can be found in note 1.D.6 and note 7 to the financial statements.

Long-Term Debt

At year-end the City had $28,064,395 in long-term debt outstanding. $13,325,000 are general obligation bonds backed by the full faith and credit of the City and $12,005,000 are certificates of obligation secured by a combination of tax and revenue. The City's outstanding tax supported debt is rated "AA" by Standard & Poor's Ratings Services.

City of Richland Hills's Outstanding Debt

	Governmental Activities		Business-type Activities		Total	
	09/30/2025	09/30/2024	09/30/2025	09/30/2024	09/30/2025	09/30/2024
Certificates of Obligation	$ 7,635,000	$ 8,005,000	$ 4,370,000	$ 4,785,000	$ 12,005,000	$ 12,790,000
General Obligation	12,192,000	12,617,250	1,133,000	1,417,750	13,325,000	14,035,000
Tax Notes	110,000	210,000	-	-	110,000	210,000
Financed purchases	289,164	552,919	1,041,636	1,171,576	1,330,800	1,724,495
Lease financing	1,125,447	1,157,542	168,148	182,177	1,293,595	1,339,719
Total	$ 21,351,611	$ 22,542,711	$ 6,712,784	$ 7,556,503	$ 28,064,395	$ 30,099,214

More detailed information about the City's debt is presented in note 8 to the Financial Statements.

Economic factors and the Next Year's Budgets and Rates

The City's tax year 2025 (the fiscal year 2026) total taxable value, as provided by the Tarrant Appraisal District, is $1,052,674,087, an increase of 8.5% over the 2024 tax year (the fiscal year 2025) total taxable value, of $970,543,410. The property tax rate in the fiscal year 2026 adopted budget is $0.504796, which is $.014083 (-2.71%) lower than fiscal year 2025 property tax rate. The maintenance and operations rate of $0.370482 increased by $.008839 due to the adoption of the de minimis operations and maintenance rate for cities under 30,000 in population, and the debt rate is $0.134314, a decrease of $0.022922. The estimated property tax revenue for fiscal year 2026 is $5,130,493, which represents an increase of 9.3% over the budgeted tax revenues for fiscal year 2026 due to an increase in assessed property values and the adoption of the de minimis tax rate for the General Fund portion of the tax rate.

In the General Fund, total operating revenues for fiscal year 2026 are $10,530,687. The City's largest source of General Fund revenue is sales tax revenue, and it is projected at $4.9 million. This decrease of 9.8% over the 2025 budget is primarily due to lower sales tax performance from the industrial business sector based on current collection trends and the potential vacancy of one of the City's top sales tax contributors. Building permit revenues are projected to decrease by $25,000, due to permits for two townhome developments adjacent to Baker Boulevard, a main thoroughfare in the City, having been substantially completed in Fiscal Year 2025. Total General Fund expenditures, including transfers, are budgeted at $11,200,24, including a transfer of $1,028,998 to the Strategic Initiative Fund. This transfer is derived from the sweep of excess unassigned fund balance reserves in the General Fund into the Strategic Initiative Fund providing funding for one-time projects such as improvements to technology and building improvements.

Water and wastewater revenues for fiscal year 2026 are projected at $5,664,200, which is a 9.9% increase, primarily due to projected water rate and wastewater rate fee increase planned to be effective in January 2026. This rate increase is the continued implementation of the multi-year rate increases affirmed from the rate study presented as a part of the FY 2025 budget process. The study's future multiyear rate increases include a pass-through charge, as wholesale water and wastewater costs are projected to

increase from the City's third party suppliers of treated water and wastewater in future years. This will also provide funding for needed rehabilitation and improvements to the City's aging water storage infrastructure and service lines. Budgeted expenses including transfers are $6,036,651, which is a $372,451 increase over revenues. This drawdown of available cash in the Utility Fund provides funding for FY 2026 budgeted capital expenses for Scruggs and London water tank rehabilitations, and Wesley ground storage tank rehabilitation.

The indicators for Fiscal Year 2026 reflect financial stability and continued recovery from the economic challenges brought on by the COVID-19 pandemic and the current slowing of the economy. Projections show modest revenue growth in most revenue sources combined with prudent expenditure planning, allowing the City to maintain existing service levels and preserve its infrastructure. This financial outlook is made possible through the ongoing collaboration between the City Council, staff, and our residents. By taking a measured and conservative approach to budgeting, the City is well-positioned to ensure stability and meet future needs while remaining fiscally responsible.

Request for Information

The financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Department, 3200 Diana Drive, Richland Hills, Texas 76118.

BASIC FINANCIAL STATEMENTS

THIS PAGE INTENTIONALLY LEFT BLANK

EXHIBIT A-1

CITY OF RICHLAND HILLS, TEXAS
Statement of Net Position
September 30, 2025

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	$ 13,120,362	$ 4,114,900	$ 17,235,262
Investments	9,336,452	1,120,730	10,457,182
Receivables (Net of allowances for uncollectibles)			
Property tax	81,720	-	81,720
Sales tax	1,297,887	-	1,297,887
Franchise taxes	314,282	-	314,282
Accounts	1,090,945	825,088	1,916,033
Intergovernmental	-	-	-
Other	23,175	50,000	73,175
Internal balances	805,670	(805,670)	-
Prepaids	163,174	302	163,476
Supplies inventory - at cost	-	165,472	165,472
Restricted assets:			
Cash and cash equivalents	-	215,438	215,438
Investments	-	1,673,857	1,673,857
Capital assets			
Non-depreciable assets	2,773,139	1,226,982	4,000,121
Depreciable assets, net	30,018,702	21,353,522	51,372,224
Total Assets	59,025,508	29,940,621	88,966,129
DEFERRED OUTFLOWS OF RESOURCES			
Deferred loss on refunding	-	18,889	18,889
Deferred outflows related to pensions	858,285	122,976	981,261
Deferred outflows related to OPEB	33,041	4,645	37,686
Total deferred Outflows of Resources	891,326	146,510	1,037,836
LIABILITIES:			
Accounts payable	1,201,495	929,529	2,131,024
Accrued liabilities	500,843	71,818	572,661
Unearned Revenue	41,112	-	41,112
Current Liabilities Payable from Restricted Assets:			
Interest payable	97,034	28,400	125,434
Customer deposits	-	177,612	177,612
Noncurrent liabilities:			
Due Within One Year	1,581,044	970,896	2,551,940
Due in More Than One Year	23,889,517	6,410,478	30,299,995
Total Liabilities	27,311,045	8,588,733	35,899,778
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	372,281	52,552	424,833
Deferred inflows related to OPEB	62,589	8,705	71,294
Total deferred inflows of Resources	434,870	61,257	496,127
NET POSITION:			
Net investments in Capital Assets	15,517,637	17,160,206	32,677,843
Restricted for			
Public Safety	1,773,419	-	1,773,419
Culture and recreation	76,355	-	76,355
Parks and beautification	67,411	-	67,411
Economic development	3,579,494	-	3,579,494
Debt Service	724,608	-	724,608
Capital projects	5,402,209	-	5,402,209
Unrestricted Net Position	5,029,786	4,276,935	9,306,721
Total Net Position	$ 32,170,919	$ 21,437,141	$ 53,608,060

The notes to the financial statements are an integral part of this statement.

CITY OF RICHLAND HILLS, TEXAS
Statement of Activities
For the Fiscal Year Ended September 30, 2025

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary Government				
Governmental activities:				
General government	**$** 2,553,043	$ 3,450	$ -	$ -
Public safety	8,687,503	1,250,573	35,698	-
Public works	1,484,275	-	-	-
Culture and recreation	1,797,808	614,141	1,577	-
Parks and beautification	836,087	-	1,333	-
Community development	403,685	392,891	-	-
Economic development	607,365	-	18,127	-
Interest	741,157	-	-	-
Total governmental activities	17,110,923	2,261,055	56,735	-
Business-type activities:				
Water and sewer	5,468,928	5,590,835	-	343,977
Drainage utility	892,504	886,311	-	-
Total business-type activities	6,361,432	6,477,146	-	343,977
Total primary government	$ 23,472,355	$ 8,738,201	$ 56,735	$ 343,977
General Revenues:				
Taxes:				
Property Taxes, levied for general purposes				
Property Taxes, levied for debt service				
Proptery Taxes, levied for TIF Zone				
Sales Taxes				
Franchise Taxes				
Hotel Occupancy Taxes				
Investment Earnings				
Miscellaneous Revenues				
Transfers				
Total General Revenues and Transfers				
CHANGE IN NET POSITION				
NET POSITION, SEPTEMBER 30, 2024 - RESTATED				
NET POSITION, SEPTEMBER 30, 2025				

The notes to the financial statements are an integral part of this statement.

EXHIBIT B-1

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
$ (2,549,593)	$ -	$ (2,549,593)
(7,401,232)	-	(7,401,232)
(1,484,275)	-	(1,484,275)
(1,182,090)	-	(1,182,090)
(834,754)	-	(834,754)
(10,794)	-	(10,794)
(589,238)	-	(589,238)
(741,157)	-	(741,157)
(14,793,133)	-	(14,793,133)
-	465,884	465,884
-	(6,193)	(6,193)
-	459,691	459,691
$ (14,793,133)	$ 459,691	$ (14,333,442)
$ 3,229,726	$ -	$ 3,229,726
1,521,942	-	1,521,942
285,656	-	285,656
10,372,434	-	10,372,434
549,722	-	549,722
236,375	-	236,375
697,243	347,844	1,045,087
275,186	-	275,186
12,027	(12,027)	-
17,180,311	335,817	17,516,128
2,387,178	795,508	3,182,686
29,783,741	20,641,633	50,425,374
$ 32,170,919	$ 21,437,141	$ 53,608,060

CITY OF RICHLAND HILLS, TEXAS
Balance Sheet
Governmental Funds
September 30, 2025

	General	Crime Control District	Road & Street Capital Projects	Richland Hills Development Corporation
ASSETS:				
Cash and cash equivalents	$ 2,843	$ 2,455,142	$ 3,475,237	$ 2,704,465
Investments	1,976,392	-	-	-
Receivables (Net of allowances for uncollectibles)				
Property tax	61,969	-	-	-
Sales tax	630,044	274,065	236,267	157,511
Franchise taxes	314,282	-	-	-
Accounts	1,090,945	-	-	-
Intergovernmental	-	-	-	-
Other	-	-	-	-
Due from other funds	4,263,483	6,197	-	1,354,338
Prepaids	79,862	-	-	-
Total assets	$ 8,419,820	$ 2,735,404	$ 3,711,504	$ 4,216,314
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES				
Liabilities:				
Accounts payable	$ 486,090	$ 20,578	$ 96,304	$ 42,480
Accrued liabilities	415,195	42,174	-	15,846
Due to other funds	1,905,274	1,055,292	278,395	723,459
Unearned Revenue	-	-	-	-
Total liabilities	2,806,559	1,118,044	374,699	781,785
Deferred inflow of resources:				
Deferred revenue	1,451,506	-	-	-
Total deferred revenue	1,451,506	-	-	-
Fund Balances:				
Nonspendable:				
Prepaid items	79,862	-	-	-
Restricted for:				
Public Safety	-	1,617,360		-
Culture and recreation	-	-	-	-
Parks and beautification	-	-	-	-
Economic development	-	-	-	3,434,529
Debt Service	-	-	-	-
Capital projects	-	-	3,336,805	-
Assigned for capital projects	-	-	-	-
Unassigned	4,081,893	-	-	-
Total fund balances	4,161,755	1,617,360	3,336,805	3,434,529
Total liabilities, deferred inflows and fund balances	$ 8,419,820	$ 2,735,404	$ 3,711,504	$ 4,216,314

The notes to the financial statements are an integral part of this statement.

EXHIBIT C-1

2023 Series CO's Paving Capital Projects	Other Governmental Funds	Total Governmental Funds
$ -	$ 4,482,675	$ 13,120,362
5,235,492	2,124,568	9,336,452
-	19,751	81,720
-	-	1,297,887
-	-	314,282
-	-	1,090,945
-	-	-
-	23,175	23,175
278,395	516,736	6,419,149
-	83,312	163,174
$ 5,513,887	$ 7,250,217	$ 31,847,146
$ 412,494	$ 143,549	$ 1,201,495
-	27,628	500,843
420,884	1,230,175	5,613,479
-	41,112	41,112
833,378	1,442,464	7,356,929
-	51,506	1,503,012
-	51,506	1,503,012
-	-	79,862
-	156,059	1,773,419
-	76,355	76,355
-	67,411	67,411
-	144,965	3,579,494
-	704,857	704,857
4,680,509	2,111,904	10,129,218
-	2,525,708	2,525,708
-	(31,012)	4,050,881
4,680,509	5,756,247	22,987,205
$ 5,513,887	$ 7,250,217	$ 31,847,146

The notes to the financial statements are an integral part of this statement.

THIS PAGE INTENTIONALLY LEFT BLANK

CITY OF RICHLAND HILLS, TEXAS
Reconciliation of the Governmental Funds Balance Sheet
To the Statement of Net Position
September 30, 2025

Total Fund Balances - Governmental Funds	$ 22,987,205
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. The cost of these assets was $68,602,578 and the accumulated depreciation and amortization was $35,810,737	32,791,841
Long-term liabilities, including $20,586,602 bonds payable, tax notes and premiums, $289,164 financed purchases $1,125,447 lease financing, and $780,332 compensated absences payable are not due and payable in the current period, and, therefore are not reported as liabilities in the fund financial statements.	(22,781,545)
Interest payable is not expected to be liquidated with available financial resources and is not reported as a liability in the fund financial statements.	(97,034)
Current receivables are not available soon enough to pay for the current period's expenditures and therefore are not reported in the fund financial statements, but are reported in the governmental activities of the Statement of Net Position.	1,503,012
Included in the items related to noncurrent liabilities is the recognition of the City's net pension asset required by GASB 68 in the amount of $2,400,988, a deferred resource inflow related to pensions of $372,281, and a deferred resource outflow related to pensions in the amount of $858,285. This amounts to a decrease in net position.	(1,914,984)
Included in the items related to noncurrent liabilities is the recognition of the City's OPEB liability required by GASB 75 in the amount of $288,028 and a deferred resource inflow related to OPEB in the amount of $62,589, and a deferred resource outflow related to OPEB in the amount of $33,041. This is a decrease in net position.	(317,576)
Net Position of Governmental Activities	$ 32,170,919

The notes to the financial statements are an integral part of this statement.

CITY OF RICHLAND HILLS, TEXAS
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended September 30, 2025

	General	Crime Control District	Road & Street Capital Projects	Richland Hills Development Corporation
REVENUES				
Taxes:				
Property	$ 3,225,807	$ -	$ -	$ -
Sales	5,008,942	2,063,176	1,916,968	1,277,991
Franchise	549,722	-	-	-
Hotel occupancy tax	-	-	-	-
Fines and forfeitures	549,594	-	-	-
Licenses and permits	286,145	-	-	-
Charges for service	178,919	-	-	-
Intergovernmental revenue	4,518	3,783	-	16,838
Investment earnings	262,322	56,435	-	80,630
Other revenue	326,461	-	-	-
Total revenues	10,392,430	2,123,394	1,916,968	1,375,459
EXPENDITURES				
Current				
General government	2,063,403	-	-	-
Public safety	5,999,059	1,575,295	-	-
Public works	339,898	-	234,380	-
Culture and recreation	774,354	-	-	-
Parks and beautification	282,396	-	-	-
Community development	410,706	-	-	-
Economic development	-	-	-	296,449
Capital outlay	23,240	12,349	1,493,518	83,152
Debt service:				
Principal	23,062	58,322	-	147,000
Interest and fiscal agent charges	5,910	14,253	-	83,296
Total expenditures	9,922,028	1,660,219	1,727,898	609,897
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	470,402	463,175	189,070	765,562
OTHER FINANCING SOURCES (USES)				
Insurance recoveries	-	-	-	-
Sale of capital assets	169,450	-	-	-
Lease financing	-	-	-	-
Transfers in	2,500	-	-	-
Transfers out	(1,233,107)	(264,599)	-	(55,946)
Total other financing sources (uses)	(1,061,157)	(264,599)	-	(55,946)
NET CHANGE IN FUND BALANCES	(590,755)	198,576	189,070	709,616
FUND BALANCE, OCTOBER 1, 2024	4,752,510	1,418,784	3,147,735	2,724,913
FUND BALANCE, SEPTEMBER 30, 2025	$ 4,161,755	$ 1,617,360	$ 3,336,805	$ 3,434,529

The notes to the financial statements are an integral part of this statement.

EXHIBIT C-3

2023 Series CO's Paving Capital Projects	Other Governmental Funds	Total Governmental Funds
$ -	$ 1,805,093	$ 5,030,900
-	105,357	10,372,434
-	-	549,722
-	236,375	236,375
-	23,594	573,188
-	-	286,145
-	614,127	793,046
-	4,191	29,330
226,699	71,157	697,243
-	175,748	502,209
226,699	3,035,642	19,070,592
-	260,691	2,324,094
-	28,967	7,603,321
-	24,500	598,778
-	795,240	1,569,594
-	-	282,396
-	-	410,706
-	310,370	606,819
554,983	988,227	3,155,469
-	1,234,921	1,463,305
-	735,522	838,981
554,983	4,378,438	18,853,463
(328,284)	(1,342,796)	217,129
-	10,289	10,289
-	-	169,450
-	272,203	272,203
-	1,778,867	1,781,367
-	(215,688)	(1,769,340)
-	1,845,671	463,969
(328,284)	502,875	681,098
5,008,793	5,253,372	22,306,107
$ 4,680,509	$ 5,756,247	$ 22,987,205

The notes to the financial statements are an integral part of this statement.

CITY OF RICHLAND HILLS, TEXAS
Reconciliation of Statement of Revenues,
Expenditures and Changes is Fund Balances of
The Governmental Funds to the Statement of Activities
For the Fiscal Year Ended September 30, 2025

Total Net Change in Fund Balances - Governmental Funds	$ 681,098
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including $2,607,038 of capital outlays and $1,463,305 of debt principal payments is to increase net position.	4,070,343
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, disposals and transfers between activities) is to decrease net position.	(216,457)
Depreciation and amortization is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.	(2,464,857)
Current year financed purchases and lease financing are other financing sources in the fund financial statements. The net effect of the increase in financed purchases and lease financing liabilities is a decrease in net position.	(272,203)
Interest payable and compensated absences are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The $8,176 decrease in interest payable and $176,550 decrease in compensated absences payable, and the $89,648 amortization of deferred charges, premiums and discounts increase net position.	274,374
Revenues in the government-wide statement of activities that do not provide current financial resources are not reported as revenues in the funds.	405,193
GASB requires the City to recognize its net pension liability and deferred resource outflow and inflows related to pensions. The changes in these balances increased net position.	(89,722)
GASB requires the City to recognize its OPEB liability and deferred resource outflow and inflows related to OPEBs. The changes in these balances decreased net position.	(591)
Change in Net Position of Governmental Activities	$ 2,387,178

The notes to the financial statements are an integral part of this statement.

EXHIBIT D-1

CITY OF RICHLAND HILLS, TEXAS
Statement of Net Position
Proprietary Funds
September 30, 2025

	Water and Sewer Fund	Drainage Utility Fund	Totals
ASSETS:			
Current Assets:			
Cash and cash equivalents	$ 2,499,792	$ 1,615,108	$ 4,114,900
Investments	989,264	131,466	1,120,730
Receivables (Net of allowance for uncollectibles):			
Accounts	752,356	72,732	825,088
Miscellaneous	50,000	-	50,000
Due from other funds	528,535	-	528,535
Prepaids	302	-	302
Supplies inventory	165,472	-	165,472
Restricted Assets:			
Cash and cash equivalents	215,438	-	215,438
Investments	1,673,857	-	1,673,857
Total current assets	6,875,016	1,819,306	8,694,322
Noncurrent Assets:			
Capital assets			
Non-depreciable assets	1,177,982	49,000	1,226,982
Depreciable assets, net	15,546,861	5,806,661	21,353,522
Total capital assets	16,724,843	5,855,661	22,580,504
Total noncurrent assets	16,724,843	5,855,661	22,580,504
Total assets	$ 23,599,859	$ 7,674,967	$ 31,274,826
DEFERRED OUTFLOWS OF RESOURCES			
Deferred loss on refunding	2,103	16,786	18,889
Deferred outflows related to pensions	106,462	16,514	122,976
Deferred outflows related to OPEB	4,132	513	4,645
Total deferred outflows of resources	112,697	33,813	146,510
LIABILITIES:			
Current Liabilities:			
Accounts payable	$ 752,991	$ 176,538	$ 929,529
Accrued liabilities	63,407	8,411	71,818
Due to other funds	268,798	1,065,407	1,334,205
Current Liabilities Payable from Restricted Assets:			
Current portion of noncurrent liabilities	552,482	418,414	970,896
Interest payable	19,280	9,120	28,400
Customer deposits payable	177,612	-	177,612
Total current liabilities	1,834,570	1,677,890	3,512,460
Noncurrent Liabilities:			
Compensated absences payable	50,928	7,772	58,700
Net Pension liability	301,663	37,263	338,926
OPEB liability	34,393	3,679	38,072
Financed purchases	907,293	-	907,293
Lease financing	96,803	-	96,803
Bonds payable	2,606,735	2,363,949	4,970,684
Total noncurrent liabilities	3,997,815	2,412,663	6,410,478
Total liabilities	5,832,385	4,090,553	9,922,938
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows related to pensions	46,774	5,778	52,552
Deferred Inflows related to OPEB	7,864	841	8,705
Total deferred outflows of resources	54,638	6,619	61,257
NET POSITION:			
Net Investment in capital assets	14,067,988	3,092,218	17,160,206
Unrestricted	3,757,545	519,390	4,276,935
Total net positon	$ 17,825,533	$ 3,611,608	$ 21,437,141

The notes to the financial statements are an integral part of this statement.

EXHIBIT D-2

CITY OF RICHLAND HILLS, TEXAS
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Fiscal Year Ended September 30, 2025

	Water and Sewer Fund	Drainage Utility Fund	Totals
OPERATING REVENUES			
Charges for sales and services:			
Water sales	$ 2,794,979	$ -	$ 2,794,979
Sewer charges	2,049,698	-	2,049,698
Infrastructure improvement fees	-	886,311	886,311
Garbage charges	575,541		575,541
Late payment fee	89,897	-	89,897
Miscellaneous fees and charges	80,720	-	80,720
Total operating revenue	5,590,835	886,311	6,477,146
OPERATING EXPENSES			
Personnel	1,037,589	148,397	1,185,986
Contractual services	131,960	62,333	194,293
Maintenance and repairs	353,051	356,599	709,650
Water purchase	520,637	-	520,637
Sewage treatment	1,171,748	-	1,171,748
Garbage service	572,489	-	572,489
Other supplies and expenses	529,289	7,703	536,992
Depreciation	998,706	244,862	1,243,568
Total operating expenses	5,315,469	819,894	6,135,363
Operating income (loss)	275,366	66,417	341,783
NONOPERATING REVENUES (EXPENSES)			
Investment Earnings	342,163	5,681	347,844
Interest expense and fiscal agent charges	(153,459)	(72,610)	(226,069)
Total nonoperating revenues (expenses)	188,704	(66,929)	121,775
Income (loss) before contributions and transfers	464,070	(512)	463,558
Capital contributions and transfers			
Capital grants and contributions	343,977	-	343,977
Transfers out	(143)	(11,884)	(12,027)
CHANGE IN NET POSITION	807,904	(12,396)	795,508
NET POSITION, OCTOBER 1, 2024 - RESTATED	17,017,629	3,624,004	20,641,633
NET POSITION, SEPTEMBER 30, 2025	$ 17,825,533	$ 3,611,608	$ 21,437,141

The notes to the financial statements are an integral part of this statement.

CITY OF RICHLAND HILLS, TEXAS
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended September 30, 2025

	Water and Sewer Fund	Drainage Utility Fund	Totals
Cash flows from operating activities:			
Cash received from customers	$ 5,532,351	$ 905,517	$ 6,437,868
Cash paid to suppliers	(3,212,592)	(263,873)	(3,476,465)
Cash paid to employees	(1,025,407)	(165,253)	(1,190,660)
Net cash provided by operating activities	1,294,352	476,391	1,770,743
Cash flow from noncapital financing activities:			
Increase (decrease) in due to other funds	(271,262)	1,054,891	783,629
Transfers in/(out)	(143)	(11,884)	(12,027)
Net cash provided (used) by noncapital financing activities	(271,405)	1,043,007	771,602
Cash flow from capital and related financing activities:			
Principal payments on long-term debt	(498,049)	(395,000)	(893,049)
Capital outlay	(1,555,872)	(137,289)	(1,693,161)
Interest and fiscal agent charges	(167,485)	(81,592)	(249,077)
Net cash (used) by capital and related financing activities	(2,221,406)	(613,881)	(2,835,287)
Cash flow from investing activities:			
Interest received	342,163	5,681	347,844
Sale of investments	259,845	-	259,845
Purchase of investments	(121,364)	(5,681)	(127,045)
Net cash provided by investing activities	480,644	-	480,644
Net increase (decrease) in cash and cash equivalents	(717,815)	905,517	187,702
Cash and cash equivalents, October 1, 2024	3,433,045	709,591	4,142,636
Cash and cash equivalents, September 30, 2025	$ 2,715,230	$ 1,615,108	$ 4,330,338
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities			
Operating income (loss)	$ 275,366	$ 66,417	$ 341,783
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	998,706	244,862	1,243,568
(Increase) decrease in accounts receivable	(69,963)	19,206	(50,757)
(Increase) decrease in supplies inventory	46,875	-	46,875
Increase (decrease) in accounts payable	19,707	162,762	182,469
Increase (decrease) in accrued liabilities	25,013	1,882	26,895
Increase (decrease) in compensated absences	(3,655)	3,392	(263)
Increase (decrease) in net pension balances	(6,478)	(19,147)	(25,625)
Increase (decrease) in OPEB Balances	(2,698)	(2,983)	(5,681)
Increase (decrease) in customer meter deposits	11,479	-	11,479
Total adjustments	1,018,986	409,974	1,428,960
Net cash provided by operating activities	$ 1,294,352	$ 476,391	$ 1,770,743
Noncash investing, capital and financing activities			
Capital assets financed with leases	$ 49,331	$	$ 49,331
Capital assets financed with retainage and accounts payable	184,029	-	184,029
Total noncash investing, capital and financing activities	$ 233,360	$ -	$ 233,360

The notes to the financial statements are an integral part of this statement.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Richland Hills is a municipal corporation governed by an elected mayor and six-member council. The financial statements of the City of Richland Hills, Texas ("City") include all governmental activities, organizations, and functions for which the City exercises significant oversight responsibility. The criteria considered in determining governmental activities to be reported within the City's financial statements included: the City's accountability for the entity's fiscal matters; the scope of public service of the entity; and the nature of any special financing relationships which may exist between the City and a given governmental entity. Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. The City has two blended component units. Separate financial information for each can be obtained from the City.

Blended Component Units.

The Richland Hills Development Corporation (a nonprofit development corporation formed under the Development corporation act of 1979, Texas Rev Civil Statute) was incorporated June 28, 1996. The corporation serves all citizens of the City and is governed by a board of seven directors appointed by the City Council. Four of the directors are council member directors and three are citizen member directors. The purpose of the Corporation is to promote infrastructure improvements, parks and park facilities and economic development within the City and the State of Texas in order to eliminate unemployment and underemployment and to promote and encourage employment and the public welfare of, for and on behalf of the City by developing, implementing, providing, and financing projects. Operation of the Corporation is funded by .125 percent sales tax approved by the voters. The sales tax was increased to .25 percent effective April 2019. The corporation is reported as a Special Revenue Fund.

November 8, 2005, citizens of the City of Richland Hills voted to create the Richland Hills Crime Control and Prevention District (the "District") dedicated to crime reduction programs. The City Council serves as the board of directors for the District. Operation of the District is funded by .375 percent sales tax approved by the voters. The District is reported as a Special Revenue Fund.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual funds and individual enterprise funds are reported as separate columns in the fund financial statements.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized as soon as they are measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The government considers all revenues available if they are collected within 60 days after year-end. Expenditures generally are recorded when the related fund liability is incurred, however, debt service expenditures and expenditures related to compensated absences and claims and judgments, are recognized when payment is due.

Property, sales, and franchise taxes, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when the government receives payment.

The accounts of the City are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

The City reports the following major governmental fund:

The ***General Fund*** is the government's primary operating fund. It accounts for all resources used to finance basic operations of the City and covers all activities for which a separate fund has not been established.

The ***Crime Control District*** special revenue fund is a blended component unit that accounts for the proceeds of a .375 percent sales tax and crime reduction programs.

The ***Road and Street*** capital projects fund is used to account for sales tax restricted to road and street improvements.

The ***Richland Hills Development Corporation*** fund is used to account for sales tax restricted to for the Richland Hills Development Corporation.

The ***2023 Series CO's Paving*** fund is used to account for certificate of obligation bonds used for capital projects.

The City reports the following major proprietary funds:

The ***Water and Sewer Fund*** is used to account for the operation of the water and sewage systems for the City.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The ***Drainage Utility Fund*** is used to account for the construction and maintenance of the drainage system for the City.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges and transfers between the governmental activities and the business-type activities.

Amounts reported as program revenues include 1) charges for customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water and sewer fund and drainage utility fund are charges to customers for sales and services. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, Deferred Outflows/Inflows of Resources, Liabilities and Net Position or Equity

1. *Cash, Cash Equivalents and Investments*

The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short term investments that are highly liquid with maturity within three months or less when purchased. Assets reported as cash and cash equivalents are considered cash and cash equivalents for the statement of cash flows.

2. *Receivables and Payables*

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds". Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

3. Property Tax

Ad valorem property taxes are levied each October 1 from valuations assessed as of the prior January 1 and are recognized as revenue beginning on the date of levy, October 1, when they become available. "Available" means collected within the current period or expected to be collected soon thereafter to be used to pay current liabilities. Taxes not expected to be collected within sixty days of the fiscal year ending are recorded as deferred revenue and are recognized when they become available. Taxes collected prior to the levy date to which they apply are recorded as deferred revenue and recognized as revenue of the period to which they apply. Taxes are due on October 1 immediately following the levy date and are delinquent after the following January 31. Tax liens are automatic on January 1 each year.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4. *Inventory*

The inventory of supplies held by the Enterprise Funds is valued at cost using the first-in-first-out ("FIFO") method.

5. *Prepaids*

Payments made to vendors for services that will benefit periods beyond September 30 are recorded as prepaid items in both the government-wide and fund financial statements. Prepaid expenses in the governmental funds are accounted for using the purchases method.

6. *Capital Assets*

Capital assets, which include property, plant and equipment, and infrastructure assets, are reported in the applicable governmental activities or business-type activities columns in the government-wide financial statements and in the proprietary funds financial statements. The City defines capital assets as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of two years. Such assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Property, plant and equipment of the primary government and proprietary funds are depreciated using the straight-line method over the following estimated useful lives.

Building and improvements	20 - 40 years
Office equipment	5 - 20 years
Autos and trucks	4 - 5 years
Equipment	3 - 20 years
Waterworks and sewer system	5 - 40 years
Infrastructure	20 – 40 years

The City has reported infrastructure capital assets acquired prior to the implementation of GASB Statement No. 34 at estimated historical cost.

7. *Compensated Absences*

It is the City's policy to permit employees to accumulate earned but unused vacation, compensatory time, and sick pay benefits. Sick pay benefits are not paid upon separation of service. Vacation and compensatory time are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

In accordance with GASB Statement No. 101, *Compensated Absences,* the City recognizes a liability for compensated absences when leave is earned, rather that when it is taken or paid. Vacation leave that is payable upon separate are measured at 100% of the amount earned using the employee's pay rate in effect at year-end. Sick leave is recognized to the extent it is expected to result in a payout, based on the City's eligibility rules and historical payout experience. Employees are permitted to use compensatory time within a reasonable period after making a request.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

8. *Long-term Obligations*

In the government-wide financial statements, and proprietary fund type in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statements of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed as incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuances cost, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

9. *Pensions*

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported by the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

10. *Fund Balance – Governmental Funds*

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the City is bound to honor constraints on specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

Nonspendable: This classifications includes amounts that cannot be spent because they are either not spendable in form (such as prepaids or inventory) or are legally or contractually required to be maintained intact (such as endowment funds).

Restricted: This classification includes amounts restricted by external sources (creditors, laws of other governments, etc.) or by constitutional provision or enabling legislation.

Committed: This classification includes amounts constrained to specific purposes by a government itself, using its highest decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest-level action to remove or change the constraint (City Council ordinance).

Assigned: This classification includes amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority. The City Council has delegated the authority to assign fund balance to the City Manager by resolution.

Unassigned – All amounts not included in other classifications. The general fund is the only fund that will report a positive unassigned fund balance. However, in governmental funds other than the general fund, if

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

expenditures incurred for specific purposes exceed the amounts that are restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in that fund.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted fund balance to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been first spent out of committed funds, then assigned, and finally unassigned as needed.

11. *Net Position*

Net position represents the difference between assets and liabilities. Net position net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed its use either through the enabling legislations adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The following is a reconciliation of restricted fund balance reported in the governmental fund financial statements to restricted net position of the governmental activities reported in the government-wide financial statements.

Restricted fund balance (Exhibit C-1)	$ 16,330,754
Adjustments	
Deferred property tax revenue restricted for debt service	19,751
Unspect bond funds added to net investments in capital assets	(4,727,009)
Total adjustments	(4,707,258)
Restricted net position (Exhibit A-1)	$ 11,623,496

12. *Use of Estimates*

The preparation of financial statements in conformity with Generally Accepted Accounting Principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual amounts could differ from those estimates.

NOTE 2: DEPOSITS AND INVESTMENTS

Substantially all operating cash and investments are maintained in consolidated cash and investment accounts. Investment income relating to consolidated investments is allocated to the individual funds monthly based on the funds' pro-rata share of total cash and investments.

NOTE 2: DEPOSITS AND INVESTMENTS (Continued)

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the City to adopt, implement and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation references for certificates of deposit. Statutes authorize the City to invest in (1) obligations of the U. S. Treasury, certain U. S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers' acceptances, (7) Mutual Funds, (8) investment pools, (9) guaranteed investment contracts, and (10) common trust funds. The Act also requires the City to have independent auditors perform test procedures related to investment practices as provided by the Act. The City is in substantial compliance with the requirements of the Act and with local policies.

Investment Pools

The City invests idle funds in the Texas Local Government Investment Pool (TexPool) and TexSTAR investment pool. These pools are local government investment pool organized under the authority of the Interlocal Cooperation Act Chapter 791, Texas Government Code, and the Public Funds Investment Act, Chapter 2256, Texas Government Code. All investments of the Pools are stated at amortized cost, which in most cases approximates the fair value of the securities. The objective of the Pools is to maintain a stable $1.00 net asset value; however, the $1.00 net asset value is not guaranteed or insured by the State of Texas. There are no limitations or restrictions on participant withdrawals from these pools.

The State Comptroller of Public Accounts exercises oversight responsibilities over TexPool. Oversight includes the ability to significantly influence operations, designation of management and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The advisory board members review the investment policy and management fee structure. As a requirement to maintain its rating, weekly portfolio information must be submitted to Standards and Poors, as well as the office of the Comptroller of Public Accounts for review.

TexSTAR has been organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. An advisory board composed of participants in TexSTAR and other persons who do not have a business relationship with TexSTAR has been established and maintained.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The City's funds are required to be deposited and invested under the terms of a depository contract. The City's deposits are required to be collateralized with securities held by the pledging institution's trust department or agent in the City's name. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") Insurance. At September 30, 2025, the City's deposits were covered by FDIC Insurance or collateralized with securities held by the bank's agent in the City's name.

NOTE 2: DEPOSITS AND INVESTMENTS (Continued)

Credit Risk– Investments

The City controls credit risk by limiting its investments to those instruments allowed by the State Public Funds Investment Act described above.

Interest Rate Risk – Investments

The City manages interest rate risk by structuring its portfolio so that it will experience minimal volatility during economic cycles. This is accomplished by purchasing high quality, short to medium term securities which will complement each other. The dollar weighted average maturity of 365 days or less will be calculated using the stated final maturity date of each security.

The City's investments at September 30, 2025, included the following:

Investment	Credit Rating	Maturities	Percentage of Total Investments	Cost	Fair Value
Tex-Pool	AAAm	41 days	28.78%	$ 3,436,631	$ 3,436,631
TexSTAR Pool	AAAm	49 days	71.22%	$ 8,504,160	$ 8,504,160
				$ 11,940,791	$ 11,940,791

Reconciliation to financial statements	
Investments from Exhibit A-1	$ 12,131,039
Less: Certificates of Deposit	(190,248)
	$ 11,940,791

NOTE 3: RESTRICTED ASSETS

Certain proceeds of the City's enterprise fund bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond ordinances and other legal restrictions. Enterprise Funds restricted assets are held for the following purposes in accordance with bond ordinances or other legal restrictions:

Cash and cash equivalents	
Customer Deposits	$ 215,438
Total restricted cash and cash equivalents	215,438
Investments	
Construction funds	1,673,857
Total restricted assets	$ 2,104,733

NOTE 4: RECEIVABLES

All accounts and property tax receivables are shown net of an allowance for uncollectibles. Water and sewer fund and drainage utility fund accounts receivable in excess of 60 days comprise the trade accounts receivable allowance for uncollectible accounts of $1,017,835. The property tax receivable allowance of $92,954 and $29,627 for the general fund and debt service fund respectively, and is equal to 60% of outstanding delinquent property taxes at September 30. The fines and fees receivable in the general fund is reported net of an allowance of $3,233,093 which is 75% of the adjusted receivable. The EMS charges receivable in the general fund is reported net of an allowance of $32,766 which is accounts outstanding in excess of 60 days. These allowances are based upon historical experience. Receivables as of year-end for the City's major and nonmajor funds, including the applicable allowances for uncollectible accounts are as follows:

	General	Crime Control District	Enterprise Funds	Other Governmental Funds	Total
Receivables:					
Property tax	$ 154,923	$ -	$ -	$ 49,378	$ 204,301
Sales tax	630,044	274,065	-	443,778	1,347,887
Franchise taxes	314,282	-	-	-	314,282
Accounts	4,356,804	-	1,560,765	-	5,917,569
Earned and Unbilled Services	-	-	282,158	-	282,158
Other	-	-	-	23,175	23,175
Gross Receivables	5,456,053	274,065	1,842,923	516,331	8,089,372
Less: Allowance for Uncollectibles	(3,358,813)	-	(1,017,835)	(29,627)	(4,406,275)
Net Total Receivables	$ 2,097,240	$ 274,065	$ 825,088	$ 486,704	$ 3,683,097

NOTE 5: DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and this, will not be recognized as an outflow of resources (expense/expenditure) until then. The City has three items that qualify in this category, deferred loss on refunding, deferred outflows related to pensions and deferred outflows related to OPEB reported in the government-wide statement of net position. A deferred loss on refunding results from the difference in the carrying value of the refunded debt and its reacquisition price. The amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position and governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as in inflow of resource (revenue) until that time. The city has three types of items in this category, unavailable revenues for governmental funds and deferred inflows related to pensions and deferred inflows related to OPEB in the government-wide statement of net position and proprietary funds statements.

NOTE 5: DEFERRED OUTFLOWS/INFLOWS OF RESOURCES (Continued)

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At the end of the fiscal year, the various components of deferred revenue reported in the governmental funds were as follows:

	General	Nonmajor	Total Governmental Funds
Deferred property taxes receivable	$ 61,969	19,751	$ 81,720
Deferred franchise tax receivable	300,048	-	300,048
Deferred fines and fees receivable	1,077,696	-	1,077,696
Deferred EMS charges receivable	11,793	-	11,793
Deferred miscellaneous receivable	-	31,755	31,755
Total deferred inflows of resources for governmental funds	$ 1,451,506	$ 51,506	$ 1,503,012

NOTE 6: INTERFUND RECEIVABLE, PAYABLES AND TRANSFERS

The composition of interfund balances for the City's individual major funds and nonmajor funds at September 30, 2025, is as follows:

Receivable Fund	Payable Fund	Amount	Purpose
General	Link Activity Center	$ 542	Expenses
General	Capital Projects	76,978	Capital Projects
General	Hotel Occupancy Tax	411,334	Expenses
General	Drainage Utility	1,053,523	Expenses
General	2023 Series CO's - Paving	353,541	Capital Projects
General	Crime Control	792,693	Expenses
General	Strategic Initiative	49,692	Expenses
General	ARPA	187,520	Capital Projects
General	Richland Hills Development Corp	649,451	Expenses
General	2016 GO Bonds	5,904	Capital Projects
General	Vehicle Replacement Fund	682,305	Vehicle Replacement
Crime Control	General	4,588	Expenses
Crime Control	Special Events	1,609	Expenses
Richland Hills Development Corp	General	1,354,338	Expenses
2023 Series CO's - Paving	Road and Street	278,395	Capital Projects
Hotel Occupancy Tax	General	98,919	Expenses
Contributions and Donations	Utility	5,683	Expenses
Special Events	General	500	Expenses
Special Events	Link Activity Center	740	Expenses
Special Events	Richland Hills Development Corp	55,946	Expenses
Capital Projects	Richland Hills Development Corp	18,062	Expenses
Vehicle Replacement	Utility	62,403	Expenses
Vehicle Replacement	Drainage Utility	11,884	Expenses
Vehicle Replacement	Crime Control	262,599	Expenses
Total Governmental Funds		$ 6,419,149	
Utility	General	$ 447,465	Expenses
Utility	2023 Series CO's - Paving	67,343	Expenses
Utility	Special Events	1,071	Expenses
Utility	Drainage Utility	12,656	Expenses
Total Enterprise Funds		$ 528,535	

NOTE 6: INTERFUND RECEIVABLE, PAYABLES AND TRANSFERS – (Continued)

The composition of interfund transfers for the City's individual major funds and nonmajor funds at September 30, 2025, is as follows:

Transfer In	Transfer Out	Amount	Purpose
Other Governmental Funds	General Fund	$ 494,533	Capital Projects, Water & Sewer, & Drainage Utility
Other Governmental Funds	General Fund	200,000	Link Funding
Other Governmental Funds	Other Governmental Funds	215,688	Link Funding
General Fund	Other Governmental Funds	2,500	Prior year expenses
Other Governmental Funds	General Fund	812,700	Capital Projects
Other Governmental Funds	Other Governmental Funds	55,946	Economic Development
Total Governmental Funds Transfers In		$ 1,781,367	

NOTE 7: CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2025 was as follows:

Governmental activities:

	Beginning Balance	Increases	Decreases	Ending Balance
Non - Depreciable Assets:				
Land	$ 830,414	$ -	$ -	$ 830,414
Construction in Progress	1,429,384	2,305,716	(1,792,375)	1,942,725
Total non-depreciable assets	2,259,798	2,305,716	(1,792,375)	2,773,139
Depreciable Assets:				
Buildings	20,165,482	5,879	-	20,171,361
Improvements other than buildings	7,234,146	81,277	-	7,315,423
Machinery and equipment	6,059,212	23,240	(532,234)	5,550,218
Infrastructure	29,299,319	1,711,098	-	31,010,417
Intangible right-to-use lease - equipment	1,509,817	272,203	-	1,782,020
Total capital assets being depreciated and amortized	64,267,976	2,093,697	(532,234)	65,829,439
Accumulated Depreciation and Amortization:				
Buildings	(4,073,094)	(460,113)	-	(4,533,207)
Improvements other than buildings	(4,362,942)	(545,193)	-	(4,908,135)
Machinery and equipment	(4,570,041)	(334,961)	315,777	(4,589,225)
Infrastructure	(20,250,375)	(815,888)	-	(21,066,263)
Intangible right-to-use lease - equipment	(405,205)	(308,702)	-	(713,907)
Total accumulated depreciation and amortization	(33,661,657)	(2,464,857)	315,777	(35,810,737)
Governmental activities capital assets, net	$ 32,866,117	$ 1,934,556	$ (2,008,832)	$ 32,791,841

NOTE 7: CAPITAL ASSETS - (Continued)

Business-type activities:

	Beginning Balance	Increases	Decreases	Ending Balance
Non - Depreciable Assets:				
Land	$ 256,267	$ -	$ -	$ 256,267
Construction in Progress	1,535,481	1,111,676	(1,676,441)	970,716
Total non-depreciable assets	1,791,748	1,111,676	(1,676,441)	1,226,983
Depreciable Assets:				
Buildings	242,947	-	-	242,947
Improvements other than buildings	8,141,330	-	-	8,141,330
Water and sewer systems	26,129,120	667,879	-	26,796,999
Machinery and equipment	1,036,847	1,774,077	-	2,810,924
Intangible right-to-use lease - equipment	292,591	49,332	-	341,923
Total capital assets being depreciated and amortized	35,842,835	2,491,288	-	38,334,123
Accumulated Depreciation:				
Buildings	(187,982)	(4,537)	-	(192,519)
Improvements other than buildings	(2,210,501)	(218,347)	-	(2,428,848)
Water and sewer systems	(12,406,006)	(726,989)	-	(13,132,995)
Machinery and equipment	(821,379)	(231,918)	-	(1,053,297)
Intangible right-to-use lease - equipment	(111,164)	(61,779)	-	(172,943)
Total accumulated depreciation	(15,737,032)	(1,243,570)	-	(16,980,602)
Business-type activities capital assets, net	$ 21,897,551	$ 2,359,394	$ (1,676,441)	$ 22,580,504

Depreciation and amortization expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	$ 53,907
Public safety	771,893
Public works	855,103
Culture and recreation	249,936
Parks and beautification	534,018
Community development	-
Total depreciation expense - governmental activities	$ 2,464,857
Business-type activities:	
Water and sewer	$ 998,706
Drainage Utility	244,862
Total depreciation expense - business-type activities	$ 1,243,568

NOTE 8: LONG-TERM LIABILITIES

A. Bonds Payable

Governmental Activities

The City has issued certificates of obligation, general obligation bonds and tax notes for the construction of large capital projects. The General Obligation Bonds Series 2017 are split between the governmental activities and business-type activities 15 and 85 percent. Bonds outstanding are as follows:

	Interest Rate	Maturity	Original Issue	Amount Outstanding
Governmental activities:				
Certificates of obligation				
2016 Tax and Revenue	2.00 - 3.13%	8/15/2036	$ 4,705,000	$ 3,040,000
2023 Tax and Revenue	4.00% - 5.00%	8/14/2041	$ 4,895,000	$ 4,595,000
Total certificates of obligation			9,600,000	7,635,000
General obligation bonds				
2016 General Obligation	2.00% - 3.38%	8/15/2046	8,770,000	7,410,000
2019 General Obligation	2.25% - 4.00%	8/15/2039	5,660,000	4,740,000
Direct placement				
2017 General Obligation Refunding	1.84%	8/15/2027	228,750	42,000
Total general obligation bonds			14,658,750	12,192,000
Tax Notes				
2019 Tax Notes	3.00% - 4.00%	8/15/2026	680,000	110,000
Total contractual obligation bonds			680,000	110,000
Total governmental activities			$ 24,938,750	$ 19,937,000

The annual debt service requirements to maturity for the governmental activities bonds outstanding as of September 30, 2025, are as follows:

	Governmental Activities					
	Certificates of Obligation			Tax Notes		
	Principal	Interest	Total	Principal	Interest	Total
2026	$ 395,000	$ 308,175	$ 703,175	$ 110,000	$ 4,400	$ 114,400
2027	420,000	288,425	708,425	-	-	-
2028	430,000	269,825	699,825	-	-	-
2029	450,000	250,775	700,775	-	-	-
2030	475,000	230,825	705,825	-	-	-
2031-2035	2,665,000	845,975	3,510,975	-	-	-
2036-2040	1,780,000	399,531	2,179,531			-
2041-2045	1,020,000	85,388	1,105,388	-	-	-
Total	$ 7,635,000	$ 2,678,919	$ 10,313,919	$ 110,000	$ 4,400	$ 114,400

NOTE 8: LONG-TERM LIABILITIES (Continued)

	Governmental Activities						
	General Obligation Bonds			General Obligation Bonds - Direct Placement			
	Principal	Interest	Total	Principal	Interest	Total	Total
2026	$ 420,000	$ 390,331	$ 810,331	$ 21,000	$ 773	$ 21,773	$ 832,104
2027	550,000	373,531	923,531	21,000	386	21,386	944,917
2028	560,000	351,531	911,531	-	-	-	911,531
2029	585,000	329,131	914,131	-	-	-	914,131
2030	605,000	305,731	910,731	-	-	-	910,731
2031-2035	3,360,000	1,199,206	4,559,206	-	-	-	4,559,206
2036-2040	3,415,000	723,770	4,138,770	-	-	-	4,138,770
2041-2045	2,175,000	306,282	2,481,282	-	-	-	2,481,282
2046-2050	480,000	16,200	496,200	-	-	-	496,200
Total	$ 12,150,000	$ 3,995,713	$ 16,145,713	$ 42,000	$ 1,159	$ 43,159	$ 16,188,872

Business-type Activities

The City's enterprise funds also issue certificates of obligation for the construction of large capital projects. Bonds outstanding are as follows:

	Interest Rate	Maturity	Original Issue	Amount Outstanding
Business-type activities				
Certificates of obligation				
2013 Tax and Revenue	3.00% - 4.50%	8/15/2033	5,370,000	2,810,000
2023 Tax and Revenue	4.00% - 5.00%	8/15/2041	1,255,000	1,170,000
Direct placement				
2015 Tax and Revenue	2.56%	8/15/2030	1,030,000	390,000
Total certificates of obligation			7,655,000	4,370,000
General obligation bonds				
Direct placement				
2017 General Obligation Refunding	1.84%	8/15/2027	1,296,250	238,000
2020 General Obligation Refunding	1.21%	8/15/2030	1,730,000	895,000
Total general obligation bonds			3,026,250	1,133,000
Total business-type activities			$ 10,681,250	$ 5,503,000

NOTE 8: LONG-TERM LIABILITIES (Continued)

The annual debt service requirements to maturity for the business-type activities bonds outstanding as of September 30, 2025, are as follows:

	Business-type Activities						
	Certificates of Obligation			Certificates of Obligation - Direct Placement			
	Principal	Interest	Total	Principal	Interest	Total	Total
2026	$ 355,000	$ 154,925	$ 509,925	$ 75,000	$ 9,984	$ 84,984	$ 594,909
2027	365,000	143,375	508,375	75,000	8,064	83,064	591,439
2028	375,000	129,925	504,925	80,000	6,144	86,144	591,069
2029	390,000	116,125	506,125	80,000	4,096	84,096	590,221
2030	410,000	100,875	510,875	80,000	2,048	82,048	592,923
2031-2035	1,455,000	260,175	1,715,175	-	-	-	1,715,175
2036-2040	370,000	99,025	469,025	-	-	-	469,025
2041-2045	260,000	21,656	281,656	-	-	-	281,656
Total	$ 3,980,000	$ 1,026,081	$ 5,006,081	$ 390,000	$ 30,336	$ 420,336	$ 5,426,417

	Business-type Activities		
	General Obligation Bonds - Direct Placement		
	Principal	Interest	Total
2026	$ 294,000	$ 15,209	$ 309,209
2027	294,000	10,902	304,902
2028	180,000	6,594	186,594
2029	180,000	4,416	184,416
2030	185,000	2,239	187,239
Total	$ 1,133,000	$ 39,360	$ 1,172,360

Direct Placement Bonds

Direct placement bonds are bonds that are issued directly to an investor. The direct placement bonds include provisions that in the event the City defaults on the payments or performance of covenants, the holders of the bonds may proceed against the City for the purpose of protecting and enforcing the rights of the bondholders by mandamus or other suit, action, or special proceeding in equity or at law, in any court of competent jurisdiction, for any relief permitted by law, including the specific performance of any covenant.

NOTE 8: LONG-TERM LIABILITIES (Continued)

B. Financed Purchases

Governmental Activities

On February 11, 2019, the City entered into a $607,000 purchase agreement for a fire truck due in 10 annual payments of $73,539 beginning February 28, 2020. The interest rate is 3.65%

On June 26, 2019, the City entered into a $112,733 purchase agreement for an Opticom system due in 7 annual payments of $18,772 beginning June 26, 2020. The interest rate is 3.985%.

Business-type Activities

On August 15, 2022, the City entered into a $1,420,753 purchase agreement for a water meter replacement project due in 10 annual payments of $169,655 beginning August 1, 2023. The interest rate is 3.39%.

The annual debt service to maturity for financed purchases outstanding as of September 30, 2025, are as follows:

	Governmental Activities			Business-type Activities		
	Financed Purchases			Financed Purchases		
	Principal	Interest	Total	Principal	Interest	Total
2026	$ 81,760	$ 10,551	$ 92,311	$ 134,344	$ 35,311	$ 169,655
2027	66,041	7,499	73,540	138,898	30,757	169,655
2028	68,451	5,088	73,539	143,607	26,049	169,656
2029	72,912	627	73,539	148,475	21,180	169,655
2030	-	-	-	153,508	16,147	169,655
2031-2035	-	-	-	322,805	16,506	339,311
Total	$ 289,164	$ 23,765	$ 312,929	$ 1,041,637	$ 145,950	$ 1,187,587

These assets and the related accumulated depreciation are as follows.

	Governmental Activities	Business-type Activities
Machinery and equipment	$ 719,733	$ 2,272,635
Less: Accumulated Depreciation	(431,840)	(339,772)
Net	$ 287,893	$ 1,932,863

NOTE 8: LONG-TERM LIABILITIES (Continued)

C. Lease financing

With the implementation of Governmental Accounting Standards Board No. 87, *Leases*, a lease meeting the criteria of this statement requires the lessee to recognize a lease liability and an intangible right to use asset.

The City, as a lessee, entered into an agreement related to fleet acquisition, management, resale and maintenance. The City also entered into lease agreements for copiers and public safety equipment. The leases are summarized as follows:

Description	Date	Payment Terms	Interest Rate	Original Lease	Balance 9/30/2025
Governmental Activities					
Public Works Vehicle	5/18/2022	60 months	6.37%	$ 41,500	$ 15,175
Public Works Vehicle	5/25/2022	48 months	6.23%	38,601	6,929
Public Safety Vehicle	6/8/2022	48 months	7.50%	28,163	5,208
Public Safety Vehicle	8/19/2022	48 months	7.20%	28,628	7,675
Public Safety Vehicle	9/6/2022	48 months	7.08%	24,904	6,852
Public Safety Vehicle	9/29/2022	48 months	7.08%	30,811	7,372
Public Safety Vehicle	8/1/2023	60 months	8.01%	51,964	32,797
Public Safety Vehicle	6/1/2022	60 months	6.21%	32,854	13,241
Public Safety Vehicle	11/15/2022	60 months	7.48%	46,843	23,247
Public Safety Vehicle	12/8/2022	60 months	7.48%	47,344	23,496
Public Safety Vehicle	12/6/2022	36 months	7.48%	31,840	2,933
Public Safety Fleet Cameras	8/1/2023	120 months	8.01%	154,136	122,335
Public Safety Tasers and Body Cameras	3/1/2023	120 months	7.31%	377,309	298,237
Public Safety Vehicle	5/1/2024	60 months	8.20%	51,788	39,193
Public Safety Vehicle	9/1/2024	60 months	7.60%	49,891	40,625
Public Safety Vehicle	8/1/2024	60 months	7.90%	49,897	39,946
Public Safety Vehicle	1/1/2024	60 months	7.63%	52,625	36,433
Public Safety Vehicle	3/1/2024	60 months	7.75%	46,111	33,385
Public Safety Vehicle	10/27/2024	60 months	7.08%	52,280	44,022
Public Safety Vehicle	12/4/2024	60 months	7.63%	58,224	50,837
Public Safety Vehicle	2/19/2025	60 months	7.77%	73,920	66,696
Public Safety Vehicle	2/27/2025	60 months	7.77%	58,332	52,631
Fire Vehicle	10/20/2022	48 months	7.97%	40,155	12,164
Fire Vehicle	10/20/2022	48 months	7.97%	36,769	11,138
Parks Vehicle	4/7/2023	60 months	5.95%	30,698	11,560
Parks Vehicle	4/20/2023	48 months	7.31%	33,056	14,247
Animal Services Vehicle	1/1/2024	48 months	7.98%	26,961	16,212
Animal Services Vehicle	1/1/2024	48 months	7.98%	27,034	16,256
Animal Services Vehicle	1/26/2023	48 months	7.46%	35,721	13,106
Admin Copiers and Printers	10/4/2022	63 months	7.97%	123,660	61,501
				$ 1,782,019	$ 1,125,449
Business-type Activities					
Utility Vehicle	5/5/2022	48 months	6.37%	$ 39,963	$ 7,356
Utility Vehicle	9/19/2022	72 months	7.31%	70,314	38,986
Utility Vehicle	5/29/2025	48 months	7.45%	49,332	45,757
Utility Vehicle	5/19/2022	60 months	6.37%	32,991	12,919
Utility Vehicle	5/31/2022	60 months	6.23%	34,929	13,651
Utility Vehicle	4/7/2022	60 months	5.95%	30,698	11,561
Public Works Vehicle	4/7/2022	60 months	5.95%	30,698	11,561
Utility Copiers and Printers	10/4/2022	63 months	7.97%	52,997	26,357
				$ 341,922	$ 168,148

NOTE 8: LONG-TERM LIABILITIES (Continued)

The City's leased assets are recorded at the present value of lease payments and amortized using the straight-line method over the term of the lease. These assets are reported as intangible right-to-use leases.

The future lease payments under lease agreements are as follows:

	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2026	$ 300,463	$ 77,297	$ 377,760	$ 71,345	$ 9,589	$ 80,934
2027	243,065	56,409	299,474	56,432	4,967	61,399
2028	182,801	39,773	222,574	31,100	1,849	32,949
2029	139,988	27,403	167,391	9,271	261	9,532
2030	71,358	19,100	90,458	-	-	-
2031-2035	187,774	29,952	217,726	-	-	-
Total	$ 1,125,449	$ 249,934	$ 1,375,383	$ 168,148	$ 16,666	$ 184,814

D. Changes in long-term liabilities

The following is a summary of long-term debt transactions of the City for the year ended September 30, 2025.

	09/30/2024	Additions	Retirements	09/30/2025	Due Within One Year
Governmental Activities.:					
Certificates of obligation	$ 8,005,000	$ -	$ 370,000	$ 7,635,000	$ 395,000
General obligation bonds	12,555,000	-	405,000	12,150,000	420,000
Direct placement					
General obligation bonds	62,250	-	20,250	42,000	21,000
Contractual obligation bonds	-	-	-	-	-
Tax notes	210,000	-	100,000	110,000	110,000
Premiums on bonds	739,250	-	89,648	649,602	82,469
Financed purchases	552,919	-	263,755	289,164	81,760
Lease financing	1,157,542	272,203	304,298	1,125,447	300,463
Compensated Absences	956,882	780,332	956,882	780,332	156,066
Net Pension Liability	3,518,447	-	1,117,459	2,400,988	-
OPEB Liability	289,753	-	1,725	288,028	14,286
Total Governmental Activities	28,047,043	1,052,535	3,629,017	25,470,561	1,581,044
Business-type Activities:					
Certificates of obligation	4,320,000	-	340,000	3,980,000	355,000
Direct placement					
Certificates of obligation	465,000	-	75,000	390,000	75,000
General obligation bonds	1,417,750	-	284,750	1,133,000	294,000
Premiums on bonds	240,773	-	24,545	216,228	24,545
Financed purchases	1,171,576	-	129,940	1,041,636	134,344
Lease financing	182,177	49,331	63,360	168,148	71,345
Compensated Absences	73,639	73,375	73,639	73,375	14,675
Net Pension Liability	551,474	-	212,546	338,928	-
OPEB Liabilty	45,415	-	5,356	40,059	1,987
Total Business-type Activities	8,467,804	122,706	1,209,136	7,381,374	970,896
Total Long-Term Debt	$36,514,847	$ 1,175,241	$ 4,838,153	$32,851,935	$ 2,551,940

Compensated absences, net pension liabilities and OPEB liabilities of the governmental activities and business-type activities are paid by the general fund, water and sewer fund, and drainage utility fund, respectively.

NOTE 9: RISK MANAGEMENT

The City is exposed to various risk of loss related to torts; theft of, damage to and destruction of assets, errors and omissions; injuries to employees; and natural disasters. The City's general liability, and property insurance is underwritten through a self-insurance fund for Texas political subdivisions. Premiums are paid to the carrier, and they administer all claims. The City is also insured for workers' compensation claims through a self-insurance fund for Texas political subdivisions. Rates are determined by the state, and the pool assigns discount rates to premiums based upon the City's claims history. The City retains, as a risk, only the deductible amount of each policy.

The City has maintained insurance coverage in all major categories of risk comparable to that of the prior year with no reduction in coverage. The amount of settlements during the past three years has not exceeded the insurance coverage.

NOTE 10: DEFINED BENEFIT PENSION PLANS

A. Plan Description

The City of Richland Hills participates as one of 938 plans in the defined benefit cash-balance plan administered by the Texas Municipal Retirement System (TMRS). TMRS is a statewide public retirement plan created by the State of Texas and administered in accordance with TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for employees of Texas participating cities. The TMRS Act places the general administration and management of TMRS with a six-member, Governor-appointed Board of Trustees; however, TMRS is not fiscally dependent of the State of Texas. TMRS issues a publicly available Annual Comprehensive Financial Report that can be obtained at tmrs.com.

All eligible employees of the city are required to participate in TMRS.

B. Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the city, within the options available in the state statutes governing TMRS.

At retirement, the member's benefit is calculated as if the sum of the member's contributions, with interest, and the city-financed monetary credits with interest, and their age at retirement and other actuarial factors. The retiring members may select one of seven monthly benefit payment options. Members may also choose to receive a portion of their benefit as a lump sum distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's contributions and interest.

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. The plan provisions for the City were as follows:

NOTE 10: DEFINED BENEFIT PENSION PLANS (Continued)

	Plan Year 2025
Employee deposit rate	7%
Matching ratio (city to employee)	2 to 1
Years required for vesting	5
Service retirement eligibility (expressed as age/years of service)	60/5, 0/20
Updated Service Credit	100% Repeating, Transfers
Annuity Increase (to retirees)	70% of CPI

At the December 31, 2024 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	138
Inactive employees entitled to but not yet receiving benefits	138
Active employees	87
	363

C. Contributions

Member contribution rates in TMRS are either 5%, 6%, or 7% of member's total compensation, and the city matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the city. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The city's contribution rate is based on the liabilities created from the benefit plan options selected by the City and any changes in benefits or actual experience over time.

Employees for the City were required to contribute 7% of their annual compensation during the fiscal year. The contribution rates for the City were 17.79% and 17.33% in calendar years 2024 and 2023 respectively. The city's contributions to TMRS for the year ended September 30, 2025, were $1,202,667, and were equal to the required contributions.

D. Net Pension Liability

The city's Net Pension Liability (NPL) was measured as of December 31, 2024, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions:

The Total Pension Liability in the December 31, 2024 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	2.75% per year
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

NOTE 10: DEFINED BENEFIT PENSION PLANS (Continued)

Salary increases were based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with 110% of the Public Safety table used for males and 100% of the General Employee table used for females. Mortality rates for health retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates for actives, healthy retires and beneficiaries are projected on a fully generational basis by the most recent Scale MP-2021 to account for future mortality improvements. For disabled annuitants, the same mortality tables for health retirees is used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and a 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by the most recent Scale MP-2021 to account for mortality improvements subject to the 3% floor.

The actuarial assumptions were developed primarily from the actuarial investigation of experience of TMRS over the four-year period from December 31, 2018 to December 31, 2022. The assumptions were adopted in 2023 and first used in December 32, 2023, actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rates (APR's) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 21, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined by best estimate ranges of expected returns for each major asset class. The long-term expected rate of return is determined by weighting the expected return for each major asset class by the respective target asset allocation percentage. The target allocation and best estimates of the expected rate of return for each major asset class in fiscal year 2025 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Rate of Return (Arithmetic)
Global Equity	35.0%	7.10%
Core Fixed Income	6.0%	5.00%
Non-Core Fixed Income	6.0%	6.80%
Hedge Funds	5.0%	6.40%
Private Debt	13.0%	8.20%
Infrastructure	6.0%	6.00%
Real Estate	12.0%	6.70%
Other Private Markets	4.0%	7.30%
Private Equity	13.0%	8.50%
Total	100.0%	

Discount Rate

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that member and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

NOTE 10: DEFINED BENEFIT PENSION PLANS (Continued)

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability/(Asset) (a) - (b)
Balance at 12/31/2023	$ 40,338,401	$ 36,268,480	$ 4,069,921
Changes for the year:			
Service cost	1,276,680	-	1,276,680
Interest	2,682,778	-	2,682,778
Change of benefit terms	-	-	-
Difference between expected and actual experience	33,289	-	33,289
Changes of assumptions	-	-	-
Contributions - employer	-	1,129,973	(1,129,973)
Contributions - employee	-	456,424	(456,424)
Net investment income	-	3,761,090	(3,761,090)
Benefit payments, including refunds of employee contributions	(2,463,749)	(2,463,749)	-
Administrative expense	-	(24,169)	24,169
Other changes	-	(565)	565
Net changes	1,528,998	2,859,004	(1,330,006)
Balance at 12/31/2024	$ 41,867,399	$ 39,127,484	$ 2,739,915

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	1% Decrease Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase Discount Rate (7.75%)
City's Net Pension Liability/ Asset	$ 8,387,391	$ 2,739,917	$ (1,866,266)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at *www.tmrs.com*.

NOTE 10: DEFINED BENEFIT PENSION PLANS (Continued)

D. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2025, the City recognized pension expense of $1,266,766.

At September 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 115,192	$ -
Changes in actuarial assumptions	-	55,573
Difference between projected and actual investment earnings.	-	369,260
Contributions subsequent to the measurement date	866,069	-
Total	$ 981,261	$ 424,833

$981,261 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability for the year ending September 30, 2025. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31:	
2025	$ 85,646
2026	447,971
2027	(580,667)
2028	(262,591)
2029	-
Thereafter	-
Total	$ (309,641)

NOTE 11. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

A. PLAN DESCRIPTION

Texas Municipal Retirement System (TMRS) administers an optional death benefit plan, the Supplemental Death Benefits Fund (SDBF), which operates like a group-term life insurance plan. This is a voluntary program in which participating member cities may elect, by ordinance, to provide supplemental death benefits for their active members with option coverage for their retires. The death benefit for active members provides a lump-sum payment approximately equal to the member's annual salary (calculated based on the member's actual earnings, for the 12-month period preceding the month of death). The death benefit for retirees is considered an other postemployment benefit (OPEB) and is a fixed amount of $7,500. As the SDBF covers both active and retiree participants with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e., no assets are accumulated).

NOTE 11. POSTEMPLOYEMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

The participating city contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is based on the mortality and service experience of all employees covered by the SDBF and the demographics specific to the workforce of the city. The funding policy for the SDBF program is to assure the adequate resources are available to meet all death benefit payments for the upcoming year. As such, contributions fund the covered active member and retiree deaths on pay-as-you-go basis.

B. BENEFITS PROVIDED

At the December 31, 2024 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	64
Inactive employees entitle to but not yet receiving benefits	15
Active employees	87
	166

C. TOTAL OPEB LIABILITY

The City's total OPEB liability was measured as of December 31, 2024, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions:

The Total OPEB Liability in the December 31, 2024 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.5% to 11.85% including inflation
Retirees' share of benefit relate costs	$0

All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.

Mortality rates for service retirees were based on the 2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).

Mortality rates for disabled retirees were based on 2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and a 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale MP-2021 (with immediate convergence) to account for future mortality improvements subject to the floor.

The actuarial assumptions used in the December 31, 2024 valuation were based on the results of an actuarial experience study for the period December 31, 2022.

Discount Rate

The discount rate used to measure the Total OPEB Liability was 4.08%. The discount rate was based on the Bond Buyer "20-Bond GO Index" rate closest to, but not later than December 31, 2024.

NOTE 11. POSTEMPLOYEMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at 12/31/2023	$ 335,168
Changes for the year:	
Service Cost	11,085
Interest	12,538
Change of benefit terms	-
Difference between expected and actual experience	969
Changes of assumptions	(15,372)
Benefit payments	(16,301)
Net changes	(7,081)
Balance at 12/31/2024	$ 328,087

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the City, calculated using the discount rate of 4.08%, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.08%) or 1-percentage-point higher (5.08%) than the current rate:

	1% Decrease Discount Rate (3.08%)	Discount Rate (4.08%)	1% Increase Discount Rate (5.08%)
City's Total OPEB Liability	$ 381,936	$ 328,087	$ 285,186

D. OPEB EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO OPEB

For the year ended September 30, 2025, the City recognized OPEB expense of $12,424.

At September 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB for the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual economic experience	12,995	3,117
Changes in assumptions and other inputs	12,033	68,177
Contributions subsequent to the measurement date	12,658	-
Total	37,686	71,294

NOTE 11. POSTEMPLOYEMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

Amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended December 31:	
2025	$ (20,610)
2026	(20,168)
2027	(3,391)
2028	(1,819)
2029	(278)
Thereafter	-
Total	$ (46,266)

NOTE 12: CONTINGENT LIABILITIES

A. Federal and State Programs

Federal and state funding received related to various grant programs are based upon periodic reports detailing reimbursable expenditures made, in compliance with program guidelines, to the grantor agency.

These programs are governed by various statutory rules and regulations of the grantors. Amounts received and receivable under these various funding programs are subject to periodic audit and adjustment by the funding agencies. To the extent, if any, the City has not complied with all the rules and regulations with respect to performance, financial or otherwise, adjustment to or return of fund monies may be required.

As it pertains to other matters of compliance, in the opinion of the City's administration, there are no significant contingent liabilities relating to matters of compliance and accordingly, no provision has been made in the accompanying financial statements for such contingencies.

B. Litigation

The City has claims or lawsuits arising from the normal course of business. Although the outcome of these claims and lawsuits is not presently determinable, it is the opinion of City management and legal counsel that they will not have a material adverse effect on the financial condition of the City.

NOTE 13: CONTRACTS AND COMMITMENTS

A. Wastewater Treatment

On April 18, 2017, the City Council approved a 20 year agreement with the City of Fort Worth whereby Fort Worth agreed to provide wastewater treatment to the City. The agreement allows the City to connect its wastewater system to the Fort Worth waste water system. Charges to the City are based upon cost-of-service rate studies performed by independent utility rate consultants. This contract has been amended various times during the years. Charges during the year for the treatment of wastewater by the City of Fort Worth were $662,842.

NOTE 13: CONTRACTS AND COMMITMENTS (Continued)

B. Water Treatment

The City entered into a 20 year agreement with the City of Fort Worth effective January 1, 2011 through September 30, 2031 whereby Fort Worth agreed to provide treated water to the City. Rates to purchase the water will be based upon a cost-of-service rate study conducted every three years by independent utility rate consultants. Charges during the year for the purchase of treated water from the City of Fort Worth were $520,637.

C. Transportation of Sewerage

On May 13, 1986, the City entered into an agreement with the City of Hurst to allow sewerage to be metered in Hurst then transported through the Trinity River Authority Calloway Branch sewer line to the city of Fort Worth. Charges to the City are based upon current sewer rates charged to Hurst by the Trinity River Authority and a $75.00 per month meter service charge. Charges during the year from the City of Hurst were $451,105.

NOTE 14: SUBSEQUENT EVENTS

Subsequent events were evaluated through March 27, 2026, which is the date the financial statements were available to be issued.

NOTE 15: SUBSCRIPTION-BASED INFORMATION TECHNOLOGY AGREEMENTS

GASB Statement No. 96, Subscription-Based Information Technology Arrangements was effective for the fiscal year ended September 30, 2025. The City has entered into subscription-based technology information technology arrangements involving:

- A SCADA (Supervisory Control and Data Acquisition) water service suite regarding the City's water system and electronic water meter reading software
- Law enforcement, fire and EMS software
- Document imaging software

Accounting, payroll services and server software subscriptions
The City has outflows of resources during the fiscal year totaling $121,138 that are not included in the measurement of a subscription liability. The City's software subscriptions are not commitments longer than twelve months; therefore a subscription liability is not calculated.

NOTE 16: NEW ACCOUNTING PRONOUNCEMENTS

The City implemented GASB Statement No. 101, Compensated Absences for the fiscal year ended September 30, 2025. This statement requires governments to recognize a liability for compensated absences when leave benefits are earned, rather that when leave is taken or paid. The Statement also requires governments to incorporate expected payout estimates for leave that is payable only under certain conditions.

During the implementation, the City evaluated its policies for vacation and sick leave. Under City policy, employees' vacation time are payable upon separation from service. The City reviewed historical separation patterns and past sick leave payouts to estimate the portion of sick expected to result in payment.

NOTE 16: NEW ACCOUNTING PRONOUNCEMENTS – (Continued)

Implementation of the Statement resulted in the compensated absences liability being measured using employee pay rates in effect at year-end, expected payout percentages for sick leave and applicable salary related costs such as the City's share of payroll taxes. As a result of adopting this Statement. The City's compensated absences liability increased $481,773.

Beginning net position of the governmental activities and business-type activities was reduced by the following prior period adjustments:

	Governmental Activites	Water and Sewer Fund	Drainage Utility Fund	Business-type Activites
Beginning net position	$ 30,225,224	$ 17,054,996	$ 3,626,927	$ 20,681,923
Compensated Absences	$ (441,483)	$ (37,367)	$ (2,923)	$ (40,290)
Restated beginning net position	$ 29,783,741	$ 17,017,629	$ 3,624,004	$ 20,641,633

REQUIRED SUPPLEMENTARY INFORMATION

THIS PAGE INTENTIONALLY LEFT BLANK

EXHIBIT E-1

CITY OF RICHLAND HILLS, TEXAS
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended September 30, 2025

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES				
Taxes:				
Property	$ 3,484,527	$ 3,461,027	$ 3,225,807	$ (235,220)
Sales	5,432,500	5,027,500	5,008,942	(18,558)
Franchise	548,800	556,800	549,722	(7,078)
Fines and forfeitures	464,050	539,050	549,594	10,544
Licenses and permits	272,625	292,625	286,145	(6,480)
Charges for service	198,900	176,900	178,919	2,019
Intergovernmental revenue	-	-	4,518	4,518
Investment earnings	202,000	262,000	262,322	322
Other revenue	299,827	448,327	326,461	(121,866)
Total revenues	10,903,229	10,764,229	10,392,430	(371,799)
EXPENDITURES				
Current				
General government	1,992,968	2,126,118	2,063,403	62,715
Public safety	6,091,031	6,035,031	5,999,059	35,972
Public works	351,196	351,196	339,898	11,298
Culture and recreation	770,743	770,743	774,354	(3,611)
Parks and beautification	329,196	329,196	282,396	46,800
Community development	442,897	442,897	410,706	32,191
Debt Service:				
Principal	-	-	23,062	(23,062)
Interest	-	-	5,910	(5,910)
Capital outlay	28,000	28,000	23,240	4,760
Total expenditures	10,006,031	10,083,181	9,922,028	161,153
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	897,198	681,048	470,402	(210,646)
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	-	-	169,450	169,450
Transfers in	2,500	2,500	2,500	-
Transfers out	(1,593,398)	(1,573,398)	(1,233,107)	340,291
Total other financing sources (uses)	(1,590,898)	(1,570,898)	(1,061,157)	509,741
NET CHANGE IN FUND BALANCES	(693,700)	(889,850)	(590,755)	299,095
FUND BALANCE, OCTOBER 1, 2024	4,752,510	4,752,510	4,752,510	-
FUND BALANCE, SEPTEMBER 30, 2025	$ 4,058,810	$ 3,862,660	$ 4,161,755	$ 299,095

The accompanying notes to required supplementary information are an integral part of this schedule.

EXHIBIT E-2

CITY OF RICHLAND HILLS, TEXAS
Crime Control District
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended September 30, 2025

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES				
Taxes:				
Sales	$ 2,020,000	$ 2,020,000	$ 2,063,177	$ 43,177
Investment earnings	20,000	20,000	56,435	36,435
Intergovernmental revenues	12,000	12,000	3,783	(8,217)
Total revenues	2,052,000	2,052,000	2,123,395	71,395
EXPENDITURES				
Current				
Public safety	1,701,752	1,701,752	1,575,296	126,456
Capital outlay	235,130	85,130	12,349	72,781
Debt service:				
Principal	-	-	58,322	(58,322)
Interest and fiscal agent charges	-	-	14,253	(14,253)
Total expenditures	1,936,882	1,786,882	1,660,220	126,662
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	115,118	265,118	463,175	198,057
OTHER FINANCING SOURCES (USES)				
Transfers out	(264,599)	(264,599)	(264,599)	-
Total other financing sources (uses)	(264,599)	(264,599)	(264,599)	-
NET CHANGE IN FUND BALANCES	(149,481)	519	198,576	198,057
FUND BALANCE, OCTOBER 1, 2024	1,418,784	1,418,784	1,418,784	-
FUND BALANCE, SEPTEMBER 30, 2025	$ 1,269,303	$ 1,419,303	$ 1,617,360	$ 198,057

The accompanying notes to required supplementary information are an integral part of this schedule.

EXHIBIT E-3

CITY OF RICHLAND HILLS, TEXAS
Richland Hills Development Corporation Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended September 30, 2025

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES				
Taxes:				
Sales	$ 1,380,000	$ 1,280,000	$ 1,277,991	$ (2,009)
Intergovernmental revenue	-	-	16,838	16,838
Investment earnings	36,000	86,000	80,630	(5,370)
Total revenues	1,416,000	1,366,000	1,375,459	9,459
EXPENDITURES				
Current				
Economic development	405,362	251,862	296,449	(44,587)
Capital outlay	853,733	83,733	83,152	581
Debt service:				
Principal	145,000	145,000	147,000	(2,000)
Interest and fiscal agent charges	82,600	82,600	83,296	(696)
Total expenditures	1,486,695	563,195	609,897	(46,702)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(70,695)	802,805	765,562	(37,243)
OTHER FINANCING SOURCES (USES)				
Transfers out	(55,946)	(55,946)	(55,946)	-
Total other financing sources (uses)	(55,946)	(55,946)	(55,946)	-
NET CHANGE IN FUND BALANCES	(126,641)	746,859	709,616	(37,243)
FUND BALANCE, OCTOBER 1, 2024	2,724,913	2,724,913	2,724,913	-
FUND BALANCE, SEPTEMBER 30, 2025	$ 2,598,272	$ 3,471,772	$ 3,434,529	$ (37,243)

CITY OF RICHLAND HILLS, TEXAS
Schedule of Changes in Net Pension Liability and Related Ratios
Last 10 Years

	2015	2016	2017
Total Pension Liability			
Service Cost	$ 747,466	$ 768,050	$ 818,261
Interest (on the Total Pension Liability)	1,924,741	1,944,232	2,011,541
Changes of benefit terms	-	-	-
Difference between expected and actual experience	(370,657)	$ (390,269)	$ (298,938)
Change of assumptions	212,735	-	-
Benefit payments, including refunds of employee contributions	(1,257,766)	(1,177,105)	(1,522,784)
Net Change in Total Pension Liability	1,256,519	1,144,908	1,008,080
Total Pension Liability - Beginning	27,751,448	29,007,967	30,152,875
Total Pension Liability - Ending	$ 29,007,967	$ 30,152,875	$ 31,160,955
Plan Fiduciary Net Position			
Contributions - Employer	$ 736,648	$ 675,283	$ 713,878
Contributions - Employee	291,329	292,511	309,612
Net Investment Income	37,404	1,698,601	3,687,182
Benefit payments, including refunds of employee contributions	(1,257,766)	(1,177,105)	(1,522,784)
Administrative Expense	(22,782)	(19,182)	(19,106)
Other	(1,125)	(1,034)	(968)
Net Change in Plan Fiduciary Net Position	(216,292)	1,469,074	3,167,814
Plan Fiduciary Net Position - Beginning	25,347,719	25,131,427	26,600,501
Plan Fiduciary Net Position - Ending	$ 25,131,427	$ 26,600,501	$ 29,768,315
Net Pension Liability/(Asset) - Ending	$ 3,876,540	$ 3,552,374	$ 1,392,640
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	86.64%	88.22%	95.53%
Covered Payroll	$ 4,161,836	$ 4,178,724	$ 4,423,034
Net Pension Liability as a Percentage of Covered Payroll	93.14%	85.01%	31.49%

The accompanying notes to required supplementary information are an integral part of this schedule.

EXHIBIT E-4

2018	2019	2020	2021	2022	2023	2024
$ 902,607	$ 893,134	$ 874,546	$ 871,222	$ 973,542	$ 1,149,334	$ 1,276,680
2,057,136	2,124,314	2,219,334	2,299,569	2,423,065	2,560,792	2,682,778
-	-	-	-	-	-	-
$ 538	$ 113,437	$ (68,235)	$ 435,654	$ 527,184	$ 645,867	$ 33,289
-	81,366	-	-	-	(373,145)	-
(2,272,345)	(1,648,272)	(1,942,256)	(1,728,359)	(1,927,704)	(2,014,879)	(2,463,749)
687,936	1,563,979	1,083,389	1,878,086	1,996,087	1,967,969	1,528,998
31,160,955	31,848,891	33,412,870	34,496,259	36,374,345	38,370,432	40,338,401
$ 31,848,891	$ 33,412,870	$ 34,496,259	$ 36,374,345	$ 38,370,432	$ 40,338,401	$ 41,867,399
$ 774,634	738,471	729,799	744,070	843,584	969,580	1,129,973
339,326	334,149	326,846	324,564	368,835	423,662	456,424
(891,663)	4,280,458	2,380,513	4,280,598	(2,658,605)	3,824,000	3,761,090
(2,272,345)	(1,648,272)	(1,942,256)	(1,728,359)	(1,927,704)	(2,014,879)	(2,463,749)
(17,234)	(24,197)	(15,413)	(19,820)	(23,031)	(24,365)	(24,169)
(900)	(727)	(601)	135	27,482	(170)	(565)
(2,068,182)	3,679,882	1,478,888	3,601,188	(3,369,439)	3,177,828	2,859,004
29,768,315	27,700,132	31,380,014	32,858,902	36,460,090	33,090,652	36,268,480
$ 27,700,133	$ 31,380,014	$ 32,858,902	$ 36,460,090	$ 33,090,651	$ 36,268,480	$ 39,127,484
$ 4,148,758	$ 2,032,856	$ 1,637,357	$ (85,745)	$ 5,279,781	$ 4,069,921	$ 2,739,915
86.97%	93.92%	95.25%	100.24%	86.24%	89.91%	93.46%
$ 4,847,513	4,773,564	4,669,225	4,636,625	5,248,205	6,052,311	6,520,327
85.59%	42.59%	35.07%	-1.85%	100.60%	67.25%	42.02%

CITY OF RICHLAND HILLS, TEXAS
Schedule of Contributions
Last 10 Fiscal Years

	2016	2017	2018	2019
Actuarially Determined Contribution	$ 713,791	$ 711,966	$ 762,645	$ 752,726
Contributions in relation to the actuarially determined contribution	$ 713,791	$ 711,966	$ 762,645	$ 752,726
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Covered payroll	$ 4,303,832	$ 4,409,872	$ 4,755,061	$ 4,827,173
Contributions as a percentage of covered payroll	16.59%	16.14%	16.04%	15.59%

The accompanying notes to required supplementary information are an integral part of this schedule.

EXHIBIT E-5

2020	2021	2022	2023	2024	2024
708,466	717,202	789,826	938,272	1,072,890	1,202,667
$ 708,466	$ 717,202	$ 789,826	$ 938,272	$ 1,072,890	$ 1,202,667
$ -	$ -	$ -	$ -	$ -	$ -
$ 4,544,174	$ 4,501,008	$ 5,077,128	$ 5,841,797	$ 6,322,830	$ 6,810,579
15.59%	15.93%	15.56%	16.06%	16.97%	17.66%

CITY OF RICHLAND HILLS, TEXAS
Schedule of Changes in OPEB Liability and Related Ratios
Last 10 Years (will ultimately be displayed)

	2017	2018	2019	2020	2021	2022	2023	2024
Total OPEB Liability								
Service Cost	$ 9,731	$ 12,119	$ 10,024	$ 11,206	$ 14,837	$ 17,844	$ 10,894	$ 11,085
Interest (on the Total OPEB Liability)	9,484	9,578	10,292	9,556	7,998	7,542	12,022	12,538
Changes of benefit terms	-	-	-	-	-	-	-	-
Difference between expected and actual experience	-	(11,178)	1,385	(12,260)	(13,869)	9,106	13,512	969
Change of assumptions	20,853	(18,310)	51,104	49,045	11,143	(129,593)	15,524	(15,372)
Benefit payments, including refunds of employee contributions	(2,654)	(2,909)	(3,341)	(3,268)	(10,664)	(12,596)	(16,341)	(16,301)
Net Change in Total OPEB Liability	37,414	(10,700)	69,464	54,279	9,445	(107,697)	35,611	(7,081)
Total OPEB Liability - Beginning	247,352	284,766	274,066	343,530	397,809	407,254	299,557	335,168
Total OPEB Liability - Ending	$ 284,766	$ 274,066	$ 343,530	$ 397,809	$ 407,254	$ 299,557	$ 335,168	$ 328,087
Covered Employee Payroll	$ 4,423,034	$4,847,513	$ 4,773,564	$ 4,669,225	$ 4,669,225	$5,248,205	$6,052,311	$6,520,327
Total OPEB Liability as a Percentage of Covered Employee Payroll	6.44%	5.65%	7.20%	8.52%	8.72%	5.71%	5.54%	5.03%

This schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

The accompanying notes to required supplementary information are an integral part of this schedule.

STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund, Crime Control District, Court Building Security Special Revenue Fund, Richland Hills Development Corporation Special Revenue Fund, Court Technology Special Revenue Fund, Hotel Occupancy Tax Special Revenue Fund, Link Operations Special Revenue Fund, Debt Service Fund, Road and Street Capital Project Fund, Oil & Gas Lease Capital Projects Fund, the Special Events Fund, the Baker Boulevard Projects Fund and the vehicle replacement fund. All annual appropriations lapse at fiscal year end.

At least 35 days prior to the beginning of the budget year, October 1, the City Manager will submit his proposed city budget for the ensuing year to the City Council. From its date of submission, the proposed budget shall be a public record. The City Council shall hold a public hearing on the proposed budget at least 14 days before the beginning of the budget year. At least 10 days notice of such public hearing will be given by notice in the official newspaper. After a hearing, the City Council may make such changes it deems proper in the proposed budget and adopt a final budget prior to the beginning of the budget year. All budget hearings and actions on the budget shall be open to the public. If a final budget is not adopted by the beginning of the budget year, the proposed budget of the City Manager shall be deemed to have been approved. The budget shall go into effect on the first day of the budget year. The budget may be amended during the year only after complying with the notice procedure called for above for adoption of the budget. The City Manager is authorized to transfer budgeted amounts between line items and departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council.

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at September 30, and encumbrances outstanding at the time are to be either canceled or appropriately provided for in the subsequent year's budget.

The City's budget was properly amended throughout the year as needed.

B. Excess of Expenditures Over Appropriations

The following funds had actual expenditures that exceeded appropriations.

Fund	Amount	Explanation
Court Technology	$ 2,115	Public safety
Hotel Occupancy Tax	52,056	Economic development
Debt Service	1,086	Engineer consulting fees
Road and Street Capital Projects	339,898	Street reconstruction projects
Vehicle Replacement	218,313	Debt service
Richland Hills Development Corporation	46,702	Economic development

C. Schedule of Contributions

Valuation Date:

Notes	Actuarially determined contribution rates are calculated as of December 31 and become effective in January 13 months later.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	21 years (longest amortization ladder)
Asset Valuation Method	10 Year smoothed market; 12% soft corridor
Inflation	2.50%
Salary Increases	3.60% to 11.85% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that vary by age. Last updated for the 2023 valuation pursuant to an experience study for the period ending 2022.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence). Pre-retirement: PUB (10) mortality tables, with the 110% of the Public Safety table used for males and the 100% of the General Employee table used for females. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).

Other Information:

Notes	There were no benefit changes during the year.

D. Schedule of Changes in OPEB Liability

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits.

NONMAJOR GOVERNMENTAL FUNDS
COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES

SPECIAL REVENUE FUNDS

The special revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects or proprietary funds) that are legally restricted to expenditures for specified purposes.

Court Building Security Fund is used to account for the City's share of fines to be used to enhance building security for municipal court.

Court Technology Fund is used to account for the City's share of fines to be used for improvements to municipal court technology.

Library Grants Fund is used to account for grants to be used for the library.

Red Light Camera Enforce Fund accounts for all revenues and expenditures related to red light cameras placed at intersections in the City.

The **Hotel Occupancy Tax Fund** accounts for the proceeds of a 7 percent hotel occupancy tax and expenditures related tourism.

The **Keep Richland Hills Beautiful Fund** accounts for donations to be used for the City's parks.

The **Crime Victim Liaison Fund** is used to account for expenses of the crime victim liaison cops grant.

The **Link Operations Fund** is used to account for operations of the Link event and recreation center.

The **Contributions and Donations fund** is used to account for donations made to the City for various activities.

The **Opioid Settlement Fund** is used for opioid remediation, which includes treatment, prevention, harm reduction and recovery services.

The **Police Seizure and Police Forfeiture funds** account for seizure and forfeiture funds.

The **LEOSE fund** accounts for grants for public safety training.

The **Special Events Fund** accounts for special events that are hosted by the City.

DEBT SERVICE FUND
The **Debt Service Fund** is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

CAPITAL PROJECT FUNDS
The Capital Project Funds account for all resources used for the acquisition and/or construction of capital facilities by the City, except those financed by the Enterprise Funds.

The **Oil and Gas Lease Fund** is used to account for the proceeds of the oil and gas lease bonus and future expenditures for capital projects.

The **Capital Projects Fund** accounts for the purchase of equipment by the City.

The **2019 GO Bonds Fund** is used to account for bond proceeds for the purpose of constructing and equipping a new fire station.

The **2019 Tax Notes Fund** accounts for the proceeds of the 2019 Tax Notes, which will be used for the demolition and renovation of space formerly used as a city jail to be used for city administrative uses, including conference rooms, training rooms, criminal investigation and related municipal use.

The **Baker Boulevard Projects Fund** is used to account for the receipts of the Baker Boulevard TIF zone and the green ribbon and intersection projects.

The **Vehicle Replacement Fund** accounts for replacement vehicles purchased by the City.

The **Link Replacement Fund** accounts for capital asset replacement at the Link.

The **Strategic Initiative** accounts for City improvements.

CITY OF RICHLAND HILLS, TEXAS
Nonmajor Governmental Funds
Combining Balance Sheet
September 30, 2025

	Court Building Security	Court Technology	Library Grants	Red Light Camera Enforce	Hotel Occupancy Tax
ASSETS					
Cash	$ -	$ -	$ 2,961	$ -	$ 353,763
Investments	57,247	36,987	-	357	139,653
Receivables (Net of allowances for uncollectibles)					
Property tax	-	-	-	-	-
Other	-	-	-	-	19,375
Due from other funds	-	-	-	-	98,918
Prepaids	-	-	-	-	-
Total assets	$ 57,247	$ 36,987	$ 2,961	$ 357	$ 611,709
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES					
Liabilities:					
Accounts payable	$ -	$ -	$ -	$ -	$ 55,745
Accrued liabilities	-	-	-	-	3,622
Due to other funds	-	-	-	-	411,334
Unearned revenues	-	-	-	-	-
Total liabilities	-	-	-	-	470,701
Deferred inflows of resources					
Deferred revenue	-	-	-	-	-
Total deferred inflows of resources	-	-	-	-	-
Fund Balance:					
Restricted for:					
Public Safety	57,247	36,987	-	357	-
Culture and recreation	-	-	2,961	-	-
Parks and beautification	-	-	-	-	-
Economic Development	-	-	-	-	141,008
Debt Service	-	-	-	-	-
Capital Projects	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
Total fund balances	57,247	36,987	2,961	357	141,008
Total liabilities, deferred inflows of resources and fund balances	$ 57,247	$ 36,987	$ 2,961	$ 357	$ 611,709

EXHIBIT F-1

Special Revenue						
Keep Richland Hills Beautiful	Crime Victim Liaison	Link Operations	Contributions & Donations	Opioid Settlement	Police Seizure	Police Forfeiture
$ -	$ -	$ 100,823	$ 67,711	$ 16,445	$ 3,252	$ 22,227
67,411	4,081	-	-	-	28,297	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	5,683	-	-	-
-	-	-	-	-	-	-
$ 67,411	4,081	100,823	73,394	16,445	31,549	22,227
$ -	$ -	$ 38,416	$ -	$ -	$ 1,456	$ -
-	-	24,006	-	-	-	-
-	-	1,282	-	-	-	-
-	-	41,112	-	-	-	-
-	-	104,816	-	-	1,456	-
-	-	-	-	16,445	467	14,843
-	-	-	-	16,445	467	14,843
-	4,081	-	-	-	29,626	7,384
-	-	-	73,394	-	-	-
67,411	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	(3,993)	-	-	-	-
67,411	4,081	(3,993)	73,394	-	29,626	7,384
$ 67,411	$ 4,081	$ 100,823	$ 73,394	$ 16,445	$ 31,549	$ 22,227

CITY OF RICHLAND HILLS, TEXAS
Nonmajor Governmental Funds
Combining Balance Sheet
September 30, 2025

	LEOSE	Special Events	Total Special Revenue Funds	Debt Service	Oil & Gas Lease	Capital Projects
ASSETS						
Cash	$ 20,377	$ (669)	$ 586,890	$ (19,291)	$ 609,580	$ 67,324
Investments	-	-	334,033	728,792	209,099	19,031
Receivables (Net of allowances for uncollectibles)						
Property tax	-	-	-	19,751	-	-
Other	-	-	19,375	-	3,800	-
Due from other funds	-	57,186	161,787	-	-	18,062
Prepaids	-	-	-	-	-	-
Total assets	$ 20,377	$ 56,517	$ 1,102,085	$ 729,252	$ 822,479	$ 104,417
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES						
Liabilities:						
Accounts payable	$ -	$ 188	$ 95,805	$ 4,644	$ 5,127	$ -
Accrued liabilities	-	-	27,628	-	-	-
Due to other funds	-	52,372	464,988	-	-	76,978
Unearned revenues	-	-	41,112	-	-	-
Total liabilities	-	52,560	629,533	4,644	5,127	76,978
Deferred inflows of resources						
Deferred revenue	-	-	31,755	19,751	-	-
Total deferred inflows of resources	-	-	31,755	19,751	-	-
Fund Balance:						
Restricted for:						
Public Safety	20,377	-	156,059	-	-	-
Culture and recreation	-	-	76,355	-	-	-
Parks and beautification	-	-	67,411	-	-	-
Economic Development	-	3,957	144,965	-	-	-
Debt Service	-	-	-	704,857	-	-
Capital Projects	-	-	-	-	817,352	27,439
Assigned	-	-	-	-	-	-
Unassigned	-	-	(3,993)	-	-	-
Total fund balances	20,377	3,957	440,797	704,857	817,352	27,439
Total liabilities, deferred inflows of resources and fund balances	$ 20,377	$ 56,517	$ 1,102,085	$ 729,252	$ 822,479	$ 104,417

Capital Projects Funds							
2019 GO Bonds	2019 Tax Notes	Baker Boulevard Projects	Vehicle Replacement	Link Replacement	Strategic Initiative	Total Capital Projects Funds	Total Nonmajor Funds
$ 55	$ 175	$ 361,741	$ 328,606	$ 220,361	$ 2,327,234	$ 3,915,076	$ 4,482,675
52,349	6,097	775,167	-	-	-	1,061,743	2,124,568
-	-	-	-	-	-	-	19,751
-	-	-	-	-	-	3,800	23,175
-	-	-	336,887	-	-	354,949	516,736
-	-	-	-	-	83,312	83,312	83,312
$ 52,404	$ 6,272	$ 1,136,908	$ 665,493	$ 220,361	$ 2,410,546	$ 5,418,880	$ 7,250,217
$ -	$ 5,879	$ -	$ 10,207	$ -	$ 21,887	$ 43,100	$ 143,549
-	-		-	-	-	-	27,628
5,904	-	-	682,305	-	-	765,187	1,230,175
-	-	-	-	-	-	-	41,112
5,904	5,879	-	692,512	-	21,887	808,287	1,442,464
-	-	-	-	-	-	-	51,506
-	-	-	-	-	-	-	51,506
-	-	-	-	-	-	-	156,059
-	-	-	-	-	-	-	76,355
-	-	-	-	-	-	-	67,411
-	-	-	-	-	-	-	144,965
-	-	-	-	-	-	-	704,857
46,500	393	1,136,908	-	-	83,312	2,111,904	2,111,904
-	-	-	-	220,361	2,305,347	2,525,708	2,525,708
-	-	-	(27,019)	-	-	(27,019)	(31,012)
46,500	393	1,136,908	(27,019)	220,361	2,388,659	4,610,593	5,756,247
$ 52,404	$ 6,272	$ 1,136,908	$ 665,493	$ 220,361	$ 2,410,546	$ 5,418,880	$ 7,250,217

CITY OF RICHLAND HILLS, TEXAS
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
For the Fiscal Year Ended September 30, 2025

	Court Building Security	Court Technology	Library Grants	Red Light Camera Enforce	Hotel Occupancy Tax
REVENUES					
Taxes:					
Property taxes	$ -	$ -	$ -	$ -	$ -
Sales	-	-	-	-	-
Hotel occupancy tax	-	-	-	-	236,375
Fines and forfeitures	12,944	10,650	-	-	-
Charges for service	-	-	-	-	-
Intergovernmental revenue	-	-	-	-	-
Investment earnings	-	-	-	-	6,856
Other revenue	-	-	-	-	-
Total revenue	12,944	10,650	-	-	243,231
EXPENDITURES					
Current:					
General government	-	-	-	-	-
Public safety	4,935	2,115	-	-	-
Public works	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Economic development	-	-	-	-	256,174
Capital Outlay	-	-	-	-	89,354
Debt Service					
Principal	-	-	-	-	63,000
Interest	-	-	-	-	36,554
Total expenditures	4,935	2,115	-	-	445,082
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	8,009	8,535	-	-	(201,851)
Other financing sources (uses):					
Insurance recoveries	-	-	-	-	-
Lease financing	-	-	-	-	-
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses):	-	-	-	-	-
NET CHANGE IN FUND BALANCES	8,009	8,535	-	-	(201,851)
FUND BALANCE, OCTOBER 1, 2024	49,238	28,452	2,961	357	342,859
FUND BALANCE, SEPTEMBER 30, 2025	$ 57,247	$ 36,987	$ 2,961	$ 357	$ 141,008

EXHIBIT F-2

Special Revenue						
Keep Richland Hills Beautiful	Crime Victim Liaison	Link Operations	Contributions & Donations	Opioid Settlement	Police Seizure	Police Forfeiture
$ -	$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	614,127	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	1,219	-
-	-	-	26,115	-	-	-
-	-	614,127	26,115	-	1,219	-
-	-	-	-	-	-	-
-	9,999	-	11,918	-	-	-
-	-	-	-	-	-	-
-	-	770,077	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	9,999	770,077	11,918	-	-	-
-	(9,999)	(155,950)	14,197	-	1,219	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	200,000	-	-	-	-
-	-	(215,688)	-	-	-	-
-	-	(15,688)	-	-	-	-
-	(9,999)	(171,638)	14,197	-	1,219	-
67,411	14,080	167,645	59,197	-	28,407	7,384
$ 67,411	$ 4,081	$ (3,993)	$ 73,394	$ -	$ 29,626	$ 7,384

CITY OF RICHLAND HILLS, TEXAS
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
For the Fiscal Year Ended September 30, 2025

	LEOSE	Special Events	Total Special Revenue Funds	Debt Service	Oil & Gas Lease
REVENUES					
Taxes:					
Property taxes	$ -	$ -	$ -	$ 1,519,437	$ -
Sales	-	-	-	-	-
Hotel occupancy tax	-	-	236,375	-	-
Fines and forfeitures	-	-	23,594	-	-
Charges for service	-	-	614,127	-	-
Intergovernmental revenue	4,191	-	4,191	-	-
Investment earnings	-	-	8,075	31,400	-
Other revenue	-	1,290	27,405	-	148,343
Total revenue	4,191	1,290	913,767	1,550,837	148,343
EXPENDITURES					
Current:					
General government	-	-	-	7,185	92,256
Public safety	-	-	28,967	-	-
Public works	-	-	-	-	24,500
Culture and recreation	-	-	770,077	-	-
Economic development	-	54,196	310,370	-	-
Capital Outlay	-	-	89,354	-	-
Debt Service					
Principal	-	-	63,000	949,006	-
Interest	-	-	36,554	648,533	-
Total expenditures	-	54,196	1,298,322	1,604,724	116,756
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	4,191	(52,906)	(384,555)	(53,887)	31,587
Other financing sources (uses):					
Insurance recoveries	-	-	-	-	-
Lease financing	-	-	-	-	-
Transfers in	-	55,946	255,946	-	-
Transfers out	-	-	(215,688)	-	-
Total other financing sources (uses):	-	55,946	40,258	-	-
NET CHANGE IN FUND BALANCES	4,191	3,040	(344,297)	(53,887)	31,587
FUND BALANCE, OCTOBER 1, 2024	16,186	917	785,094	758,744	785,765
FUND BALANCE, SEPTEMBER 30, 2025	$ 20,377	$ 3,957	$ 440,797	$ 704,857	$ 817,352

Capital Projects Funds								
Capital Projects	2019 GO Bonds	2019 Tax Notes	Baker Boulevard Projects	Vehicle Replacement	Link Replacement	Strategic Initiative	Total Capital Projects Funds	Total Nonmajor Funds
$ -	$ -	$ -	$ 285,656	$ -	$ -	$ -	285,656	$ 1,805,093
-	-	-	105,357	-	-	-	105,357	105,357
-	-	-	-	-	-	-	-	236,375
-	-	-	-	-	-	-	-	23,594
-	-	-	-	-	-	-	-	614,127
-	-	-	-	-	-	-	-	4,191
-	2,361	-	29,321	-	-	-	31,682	71,157
-	-	-	-	-	-	-	148,343	175,748
-	2,361	-	420,334	-	-	-	571,038	3,035,642
-	-	-	-	-	-	161,250	253,506	260,691
-	-	-	-	-	-	-	-	28,967
-	-	-	-	-	-	-	24,500	24,500
-	-	-	-	-	25,163	-	25,163	795,240
-	-	-	-	-	-	-	-	310,370
27,211	10,133	5,879	86,311	579,509	-	189,830	898,873	988,227
-	-	-	-	222,915	-	-	222,915	1,234,921
-	-	-	-	50,435	-	-	50,435	735,522
27,211	10,133	5,879	86,311	852,859	25,163	351,080	1,475,392	4,378,438
(27,211)	(7,772)	(5,879)	334,023	(852,859)	(25,163)	(351,080)	(904,354)	(1,342,796)
-	-	-	-	10,289	-	-	10,289	10,289
-	-	-	-	272,203	-	-	272,203	272,203
-	-	-	-	494,533	215,688	812,700	1,522,921	1,778,867
-	-	-	-	-	-	-	-	(215,688)
-	-	-	-	777,025	215,688	812,700	1,805,413	1,845,671
(27,211)	(7,772)	(5,879)	334,023	(75,834)	190,525	461,620	901,059	502,875
54,650	54,272	6,272	802,885	48,815	29,836	1,927,039	3,709,534	5,253,372
$ 27,439	$ 46,500	$ 393	$ 1,136,908	$ (27,019)	$ 220,361	$ 2,388,659	4,610,593	$ 5,756,247

EXHIBIT G-1

CITY OF RICHLAND HILLS, TEXAS
Court Building Security Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended September 30, 2025

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES				
Fines and forfeitures	$ 12,000	$ 12,000	$ 12,944	$ 944
Total revenues	12,000	12,000	12,944	944
EXPENDITURES				
Current				
Public safety	12,000	12,000	4,935	7,065
Total expenditures	12,000	12,000	4,935	7,065
NET CHANGE IN FUND BALANCES	-	-	8,009	8,009
FUND BALANCE, OCTOBER 1, 2024	49,238	49,238	49,238	-
FUND BALANCE, SEPTEMBER 30, 2025	$ 49,238	$ 49,238	$ 57,247	$ 8,009

EXHIBIT G-2

CITY OF RICHLAND HILLS, TEXAS
Court Technology Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended September 30, 2025

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES				
Fines and forfeitures	$ 4,800	$ 4,800	$ 10,650	$ 5,850
Total revenues	4,800	4,800	10,650	5,850
EXPENDITURES				
Current				
Public safety	-	-	2,115	(2,115)
Total expenditures	-	-	2,115	(2,115)
NET CHANGE IN FUND BALANCES	4,800	4,800	8,535	3,735
FUND BALANCE, OCTOBER 1, 2024	28,452	28,452	28,452	-
FUND BALANCE, SEPTEMBER 30, 2025	$ 33,252	$ 33,252	$ 36,987	$ 3,735

EXHIBIT G-3

CITY OF RICHLAND HILLS, TEXAS
Hotel Occupancy Tax Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended September 30, 2025

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES				
Taxes:				
Hotel occupancy tax	$ 252,000	$ 252,000	$ 236,375	$ (15,625)
Investment earnings	6,000	6,000	6,856	856
Total revenues	258,000	258,000	243,231	(14,769)
EXPENDITURES				
Economic development	200,776	200,776	256,174	(55,398)
Capital outlay	90,000	90,000	89,354	646
Debt service:				
Principal	65,000	65,000	63,000	2,000
Interest and fiscal agent charges	37,250	37,250	36,554	696
Total expenditures	393,026	393,026	445,082	(52,056)
NET CHANGE IN FUND BALANCES	(135,026)	(135,026)	(201,851)	(66,825)
FUND BALANCE, OCTOBER 1, 2024	342,859	342,859	342,859	-
FUND BALANCE, SEPTEMBER 30, 2025	$ 207,833	$ 207,833	$ 141,008	$ (66,825)

EXHIBIT G-4

CITY OF RICHLAND HILLS, TEXAS
Link Operations Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended September 30, 2025

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES				
Charges for Service	$ 588,719	$ 588,719	$ 614,127	$ 25,408
Total revenues	588,719	588,719	614,127	25,408
EXPENDITURES				
Current				
Culture and recreation	788,712	788,712	770,077	18,635
Total expenditures	788,712	788,712	770,077	18,635
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(199,993)	(199,993)	(155,950)	44,043
OTHER FINANCING SOURCES (USES)				
Transfers in	200,000	200,000	200,000	-
Transfers out	(107,844)	(107,844)	(215,688)	(107,844)
Total other financing sources (uses)	92,156	92,156	(15,688)	(107,844)
NET CHANGE IN FUND BALANCES	(107,837)	(107,837)	(171,638)	(63,801)
FUND BALANCE, OCTOBER 1, 2024	167,645	167,645	167,645	-
FUND BALANCE, SEPTEMBER 30, 2025	$ 59,808	59,808	(3,993)	$ (63,801)

EXHIBIT G-5

CITY OF RICHLAND HILLS, TEXAS
Debt Service Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended September 30, 2025

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES				
Taxes:				
Property taxes	$ 1,504,340	$ 1,504,340	$ 1,519,437	$ 15,097
Investment earnings	11,000	31,000	31,400	400
Total revenues	1,515,340	1,535,340	1,550,837	15,497
EXPENDITURES				
Current				
General government	6,020	6,020	7,185	(1,165)
Debt service:				
Principal	824,006	949,006	949,006	-
Interest and fiscal agent charges	646,479	648,612	648,533	79
Total expenditures	1,476,505	1,603,638	1,604,724	(1,086)
NET CHANGE IN FUND BALANCES	38,835	(68,298)	(53,887)	14,411
FUND BALANCE, OCTOBER 1, 2024	758,744	758,744	758,744	-
FUND BALANCE, SEPTEMBER 30, 2025	$ 797,579	$ 690,446	$ 704,857	$ 14,411

EXHIBIT G-6

CITY OF RICHLAND HILLS, TEXAS
Road and Street Capital Projects Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended September 30, 2025

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES				
Taxes:				
Sales	$ 2,015,000	$ 1,920,000	$ 1,916,968	$ (3,032)
Total revenues	2,015,000	1,920,000	1,916,968	(3,032)
EXPENDITURES				
Current				
Public Works	100,000	138,000	234,380	(96,380)
Capital outlay	3,495,000	1,250,000	1,493,518	(243,518)
Total expenditures	3,595,000	1,388,000	1,727,898	(339,898)
NET CHANGE IN FUND BALANCES	(1,580,000)	532,000	189,070	(342,930)
FUND BALANCE, OCTOBER 1, 2024	3,147,735	3,147,735	3,147,735	-
FUND BALANCE, SEPTEMBER 30, 2025	$ 1,567,735	$ 3,679,735	$ 3,336,805	$ (342,930)

EXHIBIT G-7

CITY OF RICHLAND HILLS, TEXAS
Oil & Gas Lease Capital Projects Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended September 30, 2025

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES				
Other revenue	$ 100,000	$ 142,500	$ 148,343	$ 5,843
Total revenues	100,000	142,500	148,343	5,843
EXPENDITURES				
Current				
General government	52,500	84,500	92,256	(7,756)
Public works	85,000	85,000	24,500	60,500
Capital outlay	350,000	-	-	-
Total expenditures	487,500	169,500	116,756	52,744
NET CHANGE IN FUND BALANCES	(387,500)	(27,000)	31,587	58,587
FUND BALANCE, OCTOBER 1, 2024	785,765	785,765	785,765	-
FUND BALANCE, SEPTEMBER 30, 2025	$ 398,265	$ 758,765	$ 817,352	$ 58,587

EXHIBIT G-8

CITY OF RICHLAND HILLS, TEXAS
Special Events Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended September 30, 2025

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES				
Other revenue	$ 4,000	$ 4,000	$ 1,290	$ (2,710)
Total revenues	4,000	4,000	1,290	(2,710)
EXPENDITURES				
Current				
Economic Development	59,946	59,946	54,196	5,750
Total expenditures	59,946	59,946	54,196	5,750
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(55,946)	(55,946)	(52,906)	3,040
OTHER FINANCING SOURCES (USES)				
Transfers in	55,946	55,946	55,946	-
Total other financing sources (uses)	55,946	55,946	55,946	-
NET CHANGE IN FUND BALANCES	-	-	3,040	3,040
FUND BALANCE, OCTOBER 1, 2024	917	917	917	-
FUND BALANCE, SEPTEMBER 30, 2025	$ 917	917	3,957	3,040

EXHIBIT G-9

CITY OF RICHLAND HILLS, TEXAS
Baker Boulevard Projects
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended September 30, 2025

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES				
Taxes:				
Property taxes	$ 305,600	$ 305,600	$ 285,656	$ (19,944)
Sales	120,000	100,000	105,357	5,357
Investment earnings	-	29,300	29,321	21
Total revenues	425,600	434,900	420,334	(14,566)
EXPENDITURES				
Current				
Capital outlay	162,480	113,480	86,311	27,169
Total expenditures	162,480	113,480	86,311	27,169
NET CHANGE IN FUND BALANCES	263,120	321,420	334,023	12,603
FUND BALANCE, OCTOBER 1, 2024	802,885	802,885	802,885	-
FUND BALANCE, SEPTEMBER 30, 2025	$ 1,066,005	$ 1,124,305	$ 1,136,908	$ 12,603

EXHIBIT G-10

CITY OF RICHLAND HILLS, TEXAS
Vehicle Replacement
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended September 30, 2025

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
EXPENDITURES				
Capital outlay	634,546	634,546	579,509	55,037
Debt service:				
Principal	-	-	222,915	(222,915)
Interest and fiscal agent charges	-	-	50,435	(50,435)
Total expenditures	634,546	634,546	852,859	(218,313)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(634,546)	(634,546)	(852,859)	(218,313)
OTHER FINANCING SOURCES (USES)				
Insurance recoveries	-	-	10,289	10,289
Proceeds from sale of captial assets	74,913	74,913	-	(74,913)
Lease financing	-	-	272,203	272,203
Transfers in	559,633	559,633	494,533	(65,100)
Total other financing sources (uses)	634,546	634,546	777,025	142,479
NET CHANGE IN FUND BALANCES	-	-	(75,834)	(75,834)
FUND BALANCE, OCTOBER 1, 2024	48,815	48,815	48,815	-
FUND BALANCE, SEPTEMBER 30, 2025	$ 48,815	$ 48,815	$ (27,019)	$ (75,834)

THIS PAGE INTENTIONALLY LEFT BLANK

STATISTICAL DATA
(Unaudited)

THIS PAGE INTENTIONALLY LEFT BLANK

CITY OF RICHLAND HILLS, TEXAS
ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2025
STATISTICAL SECTION INDEX
(Unaudited)

This part of the City of Richland Hills' annual comprehensive financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

	TABLES
FINANCIAL TRENDS These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.	1-4
REVENUE CAPACITY These schedules contain information to help the reader assess the government's most significant local revenue sources, property and sales tax.	5-10
DEBT CAPACITY These schedules present information to help the reader assess the affordability of the government's current level of outstanding debt and the government's ability to issue additional debt in the future.	11-15
DEMOGRAPHIC AND ECONOMIC INFORMATION These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.	16
OPERATING INFORMATION These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.	17-19

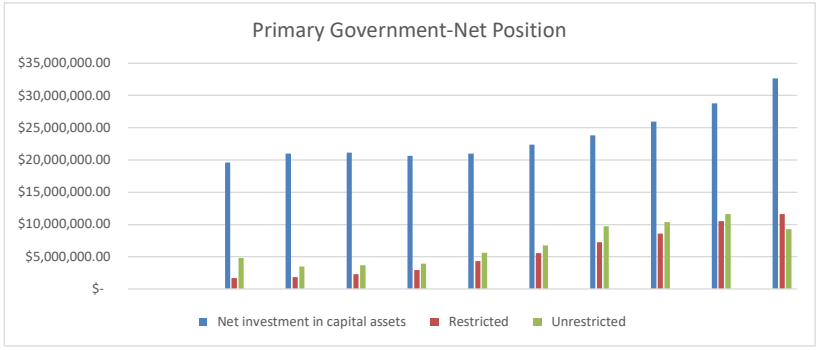
Sources: Unless otherwise noted, the information in these schedules is derived from the annual comprehensive financial reports of the relevant year.

THIS PAGE INTENTIONALLY LEFT BLANK

CITY OF RICHLAND HILLS, TEXAS
NET POSITION BY COMPONENT
Last Ten Fiscal Years
(accrual basis of accounting)
(Unaudited)

TABLE 1

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Governmental activities:										
Net investment in capital assets	$ 10,653,314	$11,342,503	$10,617,667	$9,925,810	$9,928,481	$ 11,386,772	$ 12,326,976	$ 13,570,753	$ 14,647,220	$ 15,517,637
Restricted	1,692,036	1,812,889	2,298,796	2,946,115	4,304,087	5,564,111	7,250,766	8,611,102	10,502,087	11,623,496
Unrestricted	2,791,787	1,415,184	1,708,787	1,718,246	2,675,729	2,976,618	4,677,925	4,969,460	5,075,917	5,029,786
Total governmental activities net position	$ 15,137,137	$14,570,576	$14,625,250	$14,590,171	$16,908,297	$19,927,501	$24,255,667	$27,151,315	$30,225,224	$32,170,919
Business-type activities:										
Net investment in capital assets	$ 8,921,383	$9,637,000	$10,501,116	$10,728,810	$11,062,511	$ 11,014,660	$ 11,460,920	$ 12,379,038	$ 14,123,570	$ 17,160,206
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	2,010,464	2,053,701	1,968,931	2,230,173	2,928,819	3,770,165	5,050,526	5,370,477	6,558,353	4,276,935
Total business-type activities net position	$ 10,931,847	$11,690,701	$12,470,047	$12,958,983	$13,991,330	$14,784,825	$16,511,446	$17,749,515	$20,681,923	$21,437,141
Primary government:										
Net investment in capital assets	$ 19,574,697	$20,979,503	$21,118,783	$20,654,620	$20,990,992	$ 22,401,432	$ 23,787,896	$ 25,949,791	$ 28,770,790	$ 32,677,843
Restricted	1,692,036	1,812,889	2,298,796	2,946,115	4,304,087	5,564,111	7,250,766	8,611,102	10,502,087	11,623,496
Unrestricted	4,802,251	3,468,885	3,677,718	3,948,419	5,604,548	6,746,783	9,728,451	10,339,937	11,634,270	9,306,721
Total primary government activities net position	$ 26,068,984	$26,261,277	$27,095,297	$27,549,154	$30,899,627	$34,712,326	$40,767,113	$44,900,830	$50,907,147	$53,608,060



CITY OF RICHLAND HILLS, TEXAS
CHANGES IN NET POSITION
Last Ten Fiscal Years
(accrual basis of accounting)
(Unaudited)

	Fiscal Year			
	2016	**2017**	**2018**	**2019**
EXPENSES				
Governmental activities:				
General government	$ 1,297,325	$ 2,070,959	$ 1,735,244	$ 1,802,970
Public safety	5,250,251	5,377,655	5,710,989	6,030,013
Public works	743,555	682,106	664,835	929,775
Culture and recreation	445,559	1,445,683	1,366,158	1,585,385
Parks and beautification	45,555	565,333	567,625	660,430
Community development	527,634	387,387	476,545	282,211
Economic development	184,833	113,213	127,644	202,730
Interest and fiscal agent charges	272,493	422,212	427,832	447,445
Bond issuance costs	269,037	-	5,852	203,390
Total governmental activities expenses	9,036,242	11,064,548	11,082,724	12,144,349
Business-type activities:				
Water and wastewater	3,939,736	3,574,827	3,463,115	4,163,091
Drainage utility	609,757	604,158	686,287	663,439
Total business-type activities expenses	4,549,493	4,178,985	4,149,402	4,826,530
Total primary government expenses	$ 13,585,735	$ 15,243,533	$ 15,232,126	$ 16,970,879
PROGRAM REVENUES				
Governmental activities:				
Charges for services	$ 1,400,803	$ 1,481,181	$ 1,775,163	$ 1,711,007
Operating grants and contributions	212,901	225,025	196,804	29,361
Capital grants and contributions	364,313	4,148	39,582	205,260
Total governmental activities program revenues	1,978,017	1,710,354	2,011,549	1,945,628
Business-type activities				
Charges for services	4,916,055	5,058,451	5,144,552	5,142,527
Capital grants and contributions	-	173,079	9,585	145,000
Total business-type activities program revenues	4,916,055	5,231,530	5,154,137	5,287,527
Total primary government program revenues	$ 6,894,072	$ 6,941,884	$ 7,165,686	$ 7,233,155
NET (EXPENSE) REVENUE				
Governmental activities	$ (7,058,225)	$ (9,354,194)	$ (9,071,175)	$ (10,198,721)
Business-type activities	366,562	1,052,545	1,004,735	460,997
Total primary government net expense	$ (6,691,663)	$ (8,301,649)	$ (8,066,440)	$ (9,737,724)
GENERAL REVENUES AND OTHER CHANGES IN NET POSITION				
Governmental activities:				
Taxes				
Property	$ 2,364,093	$ 2,839,255	$ 2,972,668	$ 3,199,055
Sales	4,471,407	4,735,759	5,081,993	5,851,598
Franchise	599,094	512,109	560,282	650,388
Hotel occupancy	232,946	226,677	231,045	200,577
Investment earnings	2,992	16,669	33,085	46,896
Miscellaneous	232,653	97,487	149,513	166,686
Gain (loss) on retirement of capital assets	-	61,519	106,522	48,442
Transfers in (out)	508,155	298,158	210,192	-
Total governmental activities	8,411,340	8,787,633	9,345,300	10,163,642
Business-type activities:				
Investment earnings	829	4,467	12,704	27,939
Miscellaneous	-	-	-	-
Transfers in (out)	(508,155)	(298,158)	(210,192)	-
Total business-type activities	(507,326)	(293,691)	(197,488)	27,939
Total primary government	$ 7,904,014	$ 8,493,942	$ 9,147,812	$ 10,191,581
Change in Net Position				
Governmental activities	$ 1,353,115	$ (566,561)	$ 274,125	$ (35,079)
Business-type activies	(140,764)	758,854	807,247	488,936
Total primary government	$ 1,212,351	$ 192,293	$ 1,081,372	$ 453,857

(Continued)

TABLE 2

Fiscal Year 2020	2021	2022	2023	2024	2025
$ 1,305,958	1,433,218	1,380,007	1,994,587	2,177,264	2,553,043
5,895,176	5,660,499	6,086,145	7,983,920	8,273,945	8,687,503
690,123	801,562	838,964	1,476,279	1,362,954	1,484,275
1,362,787	1,387,144	1,588,342	1,699,041	1,800,173	1,797,808
644,340	737,938	684,518	787,617	842,582	836,087
472,435	411,596	409,804	600,762	575,354	403,685
268,713	165,116	283,064	303,619	480,885	607,365
585,288	561,806	551,242	566,515	765,733	741,157
-	-	-	-	135,291	-
11,224,820	11,158,879	11,822,086	15,412,340	16,414,181	17,110,923
3,563,124	4,394,454	4,032,448	4,564,289	5,238,219	5,468,928
584,961	675,847	537,734	523,049	623,801	892,504
4,148,085	5,070,301	4,570,182	5,087,338	5,862,020	6,361,432
$ 15,372,905	$ 16,229,180	$ 16,392,268	$ 20,499,678	$ 22,276,201	$ 23,472,355
$ 1,509,317	$ 1,208,191	$ 1,449,304	$ 1,675,173	$ 1,880,785	$ 2,261,055
368,625	131,684	38,952	159,643	43,225	56,735
118,210	854,411	-	-	264,036	-
1,996,152	2,194,286	1,488,256	1,834,816	2,188,046	2,317,790
5,167,724	5,863,089	6,127,284	5,976,107	6,006,235	6,477,146
-		202,578	166,570	2,408,398	343,977
5,167,724	5,863,089	6,329,862	6,142,677	8,414,633	6,821,123
$ 7,163,876	$ 8,057,375	$ 7,818,118	$ 7,977,493	$ 10,602,679	$ 9,138,913
$ (9,228,668)	$ (8,964,593)	$ (10,333,830)	$ (13,577,524)	$ (14,226,135)	$ (14,793,133)
1,019,639	792,788	1,759,680	1,055,339	2,552,613	459,691
$ (8,209,029)	$ (8,171,805)	$ (8,574,150)	$ (12,522,185)	$ (11,673,522)	$ (14,333,442)
$ 3,707,148	$ 3,762,747	$ 3,991,037	$ 4,365,451	$ 4,913,654	$ 5,037,324
6,906,449	7,370,537	9,283,031	10,031,749	10,476,231	10,372,434
547,312	516,814	569,457	647,876	561,375	549,722
85,603	155,154	214,587	254,445	250,237	236,375
73,895	2,763	15,723	361,636	856,765	697,243
226,387	170,411	452,516	713,093	224,112	275,186
-	5,371				
-	-	135,645	98,919	17,670	12,027
11,546,794	11,983,797	14,661,996	16,473,169	17,300,044	17,180,311
12,708	707	16,756	271,649	397,465	347,844
-	-	85,830	10,000	-	-
-	-	(135,645)	(98,919)	(17,670)	(12,027)
12,708	707	(33,059)	182,730	379,795	335,817
$ 11,559,502	$ 11,984,504	$ 14,628,937	$ 16,655,899	$ 17,679,839	$ 17,516,128
$ 2,318,126	$ 3,019,204	$ 4,328,166	$ 2,895,645	$ 3,073,909	$ 2,387,178
1,032,347	793,495	1,726,621	1,238,069	2,932,408	795,508
$ 3,350,473	$ 3,812,699	$ 6,054,787	$ 4,133,714	$ 6,006,317	$ 3,182,686

(Concluded)

CITY OF RICHLAND HILLS, TEXAS
FUND BALANCES
GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(modified accrual basis of accounting)
(Unaudited)

	Fiscal Year				
	2016	**2017**	**2018**	**2019**	**2020**
General Fund					
Nonspendable	$ 46,221	$ 1,813	$ 63,242	$ 22,013	$ 49,732
Restricted	57,661	59,086	64,622	94,408	100,793
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	3,883,656	2,630,467	2,827,940	2,849,792	3,912,570
Total general fund	$ 3,987,538	$ 2,691,366	$ 2,955,804	$ 2,966,213	$ 4,063,095
All Other Governmental Funds					
Restricted	$ 11,552,448	$ 2,347,740	$ 2,395,212	$ 9,549,679	$ 10,166,690
Assigned	40,711	2,711	2,711	216,947	270,108
Unassigned	(91,145)	-	-	-	-
Total all other governmental funds	$ 11,502,014	$ 2,350,451	$ 2,397,923	$ 9,766,626	$ 10,436,798

(Continued)

TABLE 3

Fiscal Year 2021	2022	2023	2024	2025
$ 48,023	$ 65,694	$ 64,744	$ 79,313	$ 79,862
81,349	-	-	-	-
-	-	-	-	-
-	-	-	-	-
4,303,759	5,486,407	4,004,437	4,673,197	4,081,893
$ 4,433,131	$ 5,552,101	$ 4,069,181	$ 4,752,510	$ 4,161,755
$ 6,060,835	$ 7,352,890	$ 8,687,815	$ 15,547,907	$ 16,330,754
33,539	7,374	2,333,836	2,005,690	2,525,708
(31,566)	-	-	-	(31,012)
$ 6,062,808	$ 7,360,264	$ 11,021,651	$ 17,553,597	$ 18,825,450

(concluded)

CITY OF RICHLAND HILLS, TEXAS
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(modified accrual basis of accounting)
(Unaudited)

	Fiscal Year			
	2016	**2017**	**2018**	**2019**
REVENUES				
Taxes	$ 7,715,290	$ 8,400,231	$ 8,923,509	$ 9,883,901
Fines and forfeitures	953,662	784,004	755,599	747,816
Licenses and permits	155,834	168,640	138,751	168,765
Charges for service	316,544	407,685	687,291	694,494
Intergovernmental	280,429	428,826	212,493	209,449
Investment earnings	2,992	16,669	33,085	46,896
Miscellaneous	233,745	121,224	173,406	191,858
Total revenues	9,658,496	10,327,279	10,924,134	11,943,179
EXPENDITURES				
Current operations:				
General government	1,288,242	2,102,399	1,693,517	1,720,769
Public safety	4,948,279	4,955,726	5,415,041	5,355,003
Public works	292,570	173,764	185,479	240,479
Culture and recreation	403,527	726,122	1,041,613	1,076,150
Parks and beutification	45,555	134,826	125,182	216,351
Community development	438,384	381,325	481,077	275,784
Economic development	184,833	113,213	127,644	202,730
Capital outlay	4,917,553	11,855,499	953,090	1,359,363
Debt service:				
Principal	355,451	254,729	405,610	402,540
Interest and fiscal agent charges	24,799	669,467	471,912	464,340
Bond issuance costs	269,037	-	5,852	203,390
Total expenditures	13,168,230	21,367,070	10,906,017	11,516,899
Excess (deficiency) of revenues over (under) expenditures	(3,509,734)	(11,039,791)	18,117	426,280
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	40,711	61,519	77,295	48,442
Proceeds from capital lease	-	232,379	-	-
Proceeds of bond issuance	13,475,000	-	228,750	6,340,000
Financed Purchases	-	-	-	-
Lease Financing	-	-	-	-
Refund on existing debt	-	-	(222,444)	-
Bond issuance premium	623,510	-	-	564,390
Proceeds from insurance recovery	-	-	-	-
Transfers in	942,848	2,498,158	2,061,600	610,959
Transfers out	(434,693)	(2,200,000)	(1,851,408)	(610,959)
Total other financing sources (uses)	14,647,376	592,056	293,793	6,952,832
Net change in fund balances	$ 11,137,642	$ (10,447,735)	$ 311,910	$ 7,379,112
Debt service as a percentage of non-capital expenditures	4.61%	9.36%	8.79%	8.21%

(Continued)

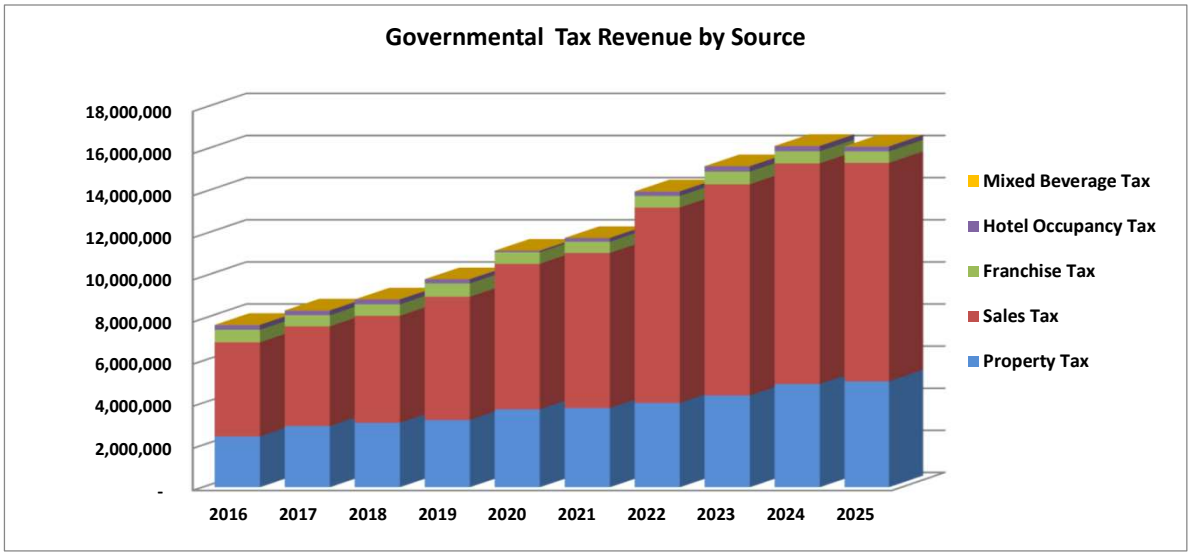
TABLE 4

Fiscal Year 2020	2021	2022	2023	2024	2025
$ 11,261,193	$ 11,841,892	$ 14,052,969	$ 15,249,177	$ 16,208,712	$ 16,189,431
421,680	293,125	308,753	418,334	569,630	573,188
383,038	186,174	177,429	264,742	286,297	286,145
713,931	665,780	893,388	904,426	835,276	793,046
456,161	955,460	4,899	159,870	15,304	29,330
73,895	2,763	15,723	361,636	856,765	697,243
193,276	246,679	523,191	518,916	417,446	502,209
13,503,174	14,191,873	15,976,352	17,877,101	19,189,430	19,070,592
1,260,799	1,395,739	1,405,943	1,891,639	2,007,730	2,324,094
5,317,932	5,461,574	5,716,721	6,695,778	6,967,361	7,603,321
158,080	231,511	181,835	722,408	554,796	598,778
1,055,758	1,135,135	1,378,658	1,362,210	1,522,379	1,569,594
177,500	146,179	174,659	243,805	295,344	282,396
461,423	415,953	415,999	558,289	545,492	410,706
268,713	165,116	281,478	301,971	878,576	606,819
2,416,463	7,866,272	3,301,913	3,853,053	2,353,382	3,155,469
694,054	721,871	706,953	972,163	1,288,473	1,463,305
668,016	661,848	637,049	658,314	838,902	838,981
-	-	-	-	135,291	-
12,478,738	18,201,198	14,201,208	17,259,630	17,387,726	18,853,463
1,024,436	(4,009,325)	1,775,144	617,471	1,801,704	217,129
22,885	5,371	23,915	244,546	41,288	169,450
719,733	-	-	-	-	-
-	-	-	-	4,895,000	-
-	-	299,855	-	-	-
-	-	163,159	1,150,268	304,308	272,203
-	-	-	-	-	-
-	-	-	-	155,305	-
-	-	18,708	67,260	-	10,289
291,844	978,623	965,250	2,979,567	980,437	1,781,367
(291,844)	(978,623)	(829,605)	(2,880,648)	(962,767)	(1,769,340)
742,618	5,371	641,282	1,560,993	5,413,571	463,969
$ 1,767,054	$ (4,003,954)	$ 2,416,426	$ 2,178,464	$ 7,215,275	$ 681,098
13.53%	13.39%	12.33%	11.50%	15.42%	14.67%

(concluded)

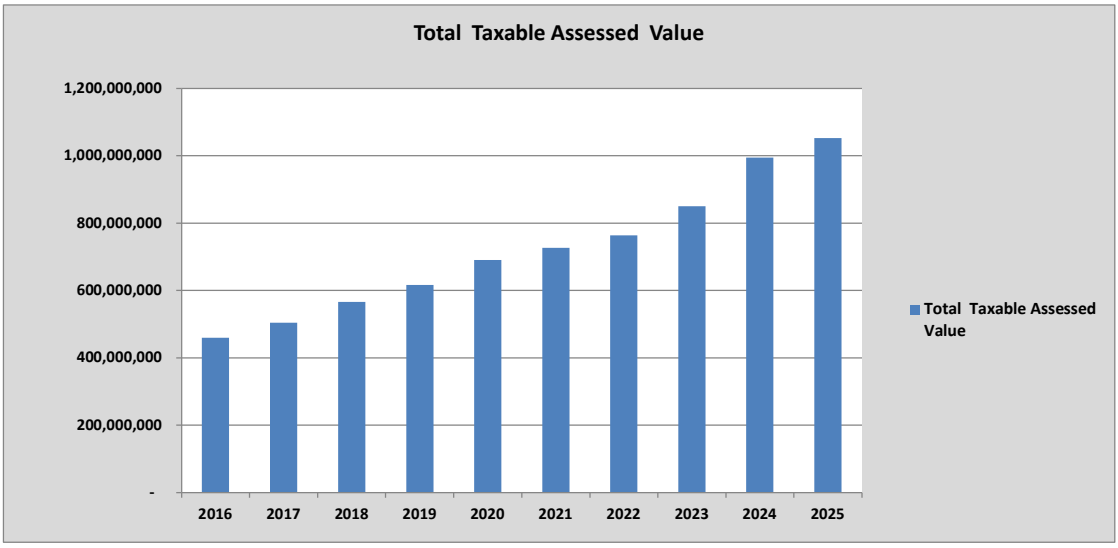
CITY OF RICHLAND HILLS, TEXAS **TABLE 5**
GOVERNMENTAL FUNDS
TAX REVENUE BY SOURCE
Last Ten Fiscal Years
(modified accrual basis of accounting)
(Unaudited)

Fiscal Year	Property Tax	Sales Tax	Mixed Beverage Tax	Franchise Tax	Hotel Occupancy Tax	Total Tax Revenue
2016	2,416,008	4,469,203	2,204	594,929	232,946	7,715,290
2017	2,909,940	4,733,430	2,329	527,855	226,677	8,400,231
2018	3,061,504	5,080,421	1,572	548,966	231,045	8,923,508
2019	3,198,614	5,849,484	2,114	633,112	200,577	9,883,901
2020	3,707,148	6,906,449	1,640	547,312	73,895	11,236,444
2021	3,760,884	7,367,612	2,925	533,360	177,111	11,841,892
2022	4,006,019	9,280,247	2,784	549,332	214,587	14,052,969
2023	4,358,514	10,029,342	2,408	604,469	254,444	15,249,177
2024	4,907,971	10,473,600	2,632	574,273	250,237	16,208,713
2025	5,030,900	10,370,023	2,411	549,722	236,375	16,189,431



CITY OF RICHLAND HILLS, TEXAS **TABLE 6**
ASSESSED AND ESTIMATED ACTUAL
VALUE OF TAXABLE PROPERTY
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Assessed Property Value					Less: Tax-Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Taxable Assessed Value as a Percentage of Actual Taxable Value
	Residential Property	Commercial Property	Industrial Property	Other Property	Personal Property					
2016	252,248,877	148,470,367	10,935,105	6,433,902	89,767,063	48,639,210	459,216,104	0.528805	459,216,104	100.0%
2017	283,204,384	164,847,074	13,090,988	497,316	94,503,549	51,585,738	504,557,573	0.595633	504,557,573	100.0%
2018	317,868,306	199,515,427	14,298,894	111,002	101,993,372	67,615,182	566,171,819	0.563738	566,171,819	100.0%
2019	352,011,740	208,140,145	15,195,814	341,130	108,277,963	67,797,937	616,168,855	0.541880	616,168,855	100.0%
2020	394,094,551	231,526,855	20,884,453	1,805,720	109,575,049	67,301,522	690,585,106	0.558551	690,585,106	100.0%
2021	423,423,768	239,006,207	19,145,422	1,052,000	111,532,031	67,882,417	726,277,011	0.558551	726,277,011	100.0%
2022	464,667,753	236,648,205	19,514,353	1,091,238	109,451,688	67,834,625	763,538,612	0.558551	763,538,612	100.0%
2023	521,484,041	263,104,566	18,742,438	6,610,136	113,710,680	73,766,189	849,885,672	0.538885	849,885,672	100.0%
2024	613,441,302	298,105,577	19,992,654	4,951,460	141,007,288	82,967,881	994,530,400	0.522689	994,530,400	100.0%
2025	662,887,311	345,397,055	20,990,091	4,952,043	153,792,631	135,345,044	1,052,674,087	0.518879	1,052,674,087	100.0%



Source: Tarrant Appraisal District

Note: Property in the City is reassessed each year by the Tarrant Appraisal District.
Property is assessed at actual value; therefore,the assessed values are equal to actual value.

CITY OF RICHLAND HILLS, TEXAS **TABLE 7**
DIRECT AND OVERLAPPING PROPERTY TAX RATES
Last Ten Fiscal Years
(Unaudited)

	FISCAL YEAR									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
OVERLAPPING RATES										
Tarrant County	0.264000	0.244000	0.244000	0.234000	0.234000	0.229000	0.229000	0.224000	0.187500	0.194500
Tarrant County Hospital District	0.227897	0.224429	0.224429	0.224429	0.224429	0.224429	0.224429	0.224429	0.182500	0.194500
Tarrant County College District	0.149500	0.140060	0.140060	0.136070	0.130170	0.130170	0.130170	0.130170	0.112280	0.112170
Birdville Independent School District	1.453900	1.453900	1.453900	1.453900	1.383900	1.380300	1.338000	1.279800	1.198300	1.203100
CITY DIRECT RATES										
Operating & Maintenance	0.470680	0.471433	0.460847	0.450755	0.418051	0.418051	0.418051	0.413628	0.361700	0.361643
Interest & Sinking	0.058125	0.124200	0.102891	0.091125	0.140500	0.140500	0.140500	0.125257	0.160989	0.157236
Total Direct Rate	0.528805	0.595633	0.563738	0.541880	0.558551	0.558551	0.558551	0.538885	0.522689	0.518879
Total Direct & Overlapping Rate	2.624102	2.658022	2.626127	2.590279	2.531050	2.522450	2.480150	2.397284	2.203269	2.223149

Note: All rates per $100 assessed value.

The taxing jurisdictions are mutually exclusive.

Sources: Tarrant Appraisal District and City records.

CITY OF RICHLAND HILLS, TEXAS **TABLE 8**
PRINCIPAL PROPERTY TAXPAYERS
Current and Ten Years Ago
(Unaudited)

		2025			2016		
Taxpayer	**Industry**	**2024 Taxable Assessed Valuation****	**Rank**	**Percentage of Total Taxable Assesed Valuation**	**2015 Taxable Assessed Valuation***	**Rank**	**Percentage of Total Taxable Assesed Valuation**
1. A&R Calloway LLC	Apartments	$ 25,900,000		2.5%	$ -		-
2. Stuart C Irby LLC	Retailer	21,533,578		2.0%	2,644,307		0.6%
3. Oncor Electric Co	Utility	19,024,594		1.8%	4,915,547		1.1%
4. 356 Midway Venture LLC	Real Estate/Commercial	11,286,435		1.1%	-		-
5. SRS Distribution/Heritage I	Retailer	11,328,071		1.1%	-		0.0%
6. Hung Properties #1 LP	Real Estate/Commercial	8,400,000		0.8%	4,491,169		1.0%
8. Buyers Barricades	Retailer	8,343,153		0.8%	-		-
9. Atmos Energy	Utility	7,456,310		0.7%	-		-
10. MB Midway LLC	Real Estate/Commercial	7,350,200		0.7%	-		0.0%
The Creek on Calloway	Apartments			0.0%	13,150,000		2.9%
First Industrial	Real Estate/Commercial			0.0%	12,581,875		2.7%
Walmart Stores Texas LLC	Grocery Store			0.0%	9,466,278		2.1%
CN Churchill II and III	Hotel			0.0%	7,073,416		2.1%
Southwestern Bell	Utility			0.0%	4,304,304		0.9%
AHC Richland Hill LLC	Senior Living			0.0%	3,400,000		0.7%
Composites One LLC	Retailer			0.0%	2,924,558		0.6%
Total		$ 120,622,341		11.5%	$ 64,951,454		14.1%
Total assessed value of other taxpayers		932,051,746		88.5%	394,264,650		85.9%
Total assessed value of all taxpayers		$ 1,052,674,087		100.0%	$ 459,216,104		100.0%

Source: Tarrant Appraisal District
* Taxpayers assessed on January 1, 2015 (2015 tax year) for the 2016 fiscal year.
** Taxpayers assessed on January 1, 2025 (2025 tax year) for the 2025 fiscal year.

CITY OF RICHLAND HILLS, TEXAS **TABLE 9**
PROPERTY TAX LEVIES AND COLLECTIONS
Last Ten Fiscal Years
(Unaudited)

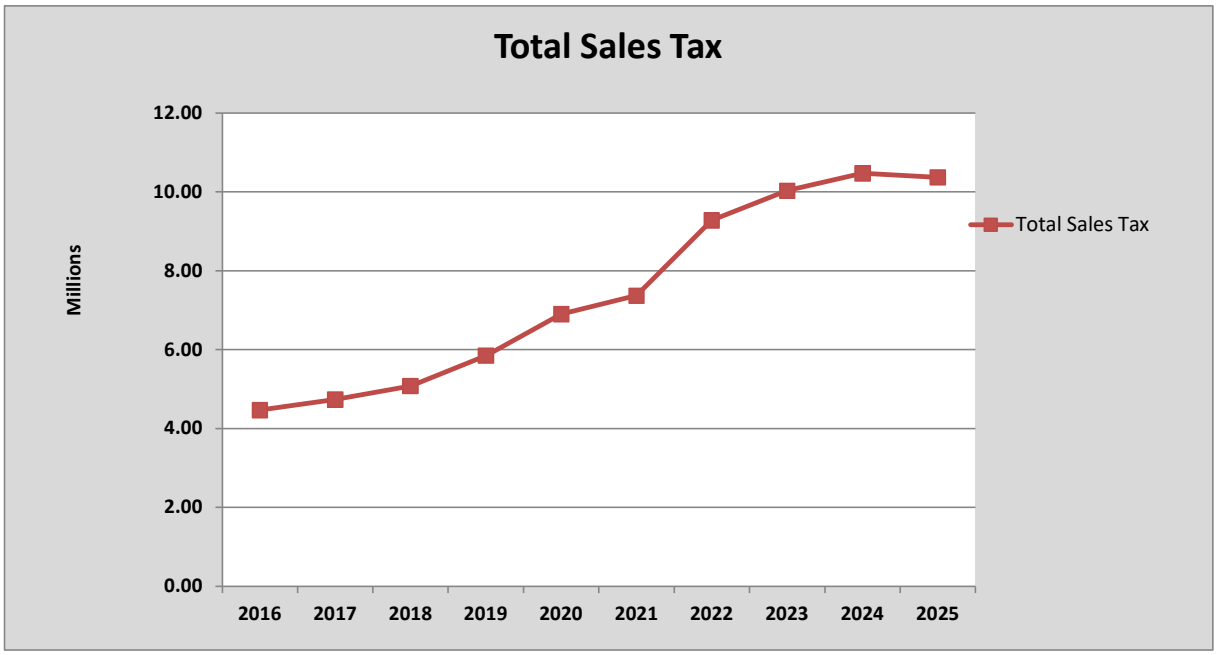
Fiscal Year Ended 9/30	Actual Levy Year	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collection in Subsequent Years	Total Collections to Date	
			Amount	Percentage of Levy		Amount	Percentage of Levy
2016	2015	2,380,796	2,354,223	98.9%	22,710	2,376,933	99.8%
2017	2016	2,875,298	2,836,300	98.6%	35,549	2,871,849	99.9%
2018	2017	3,008,103	2,970,529	98.8%	32,279	3,002,809	99.8%
2019	2018	3,158,251	3,116,025	98.7%	34,232	3,150,257	99.7%
2020	2019	3,630,618	3,580,932	98.6%	41,330	3,622,262	99.8%
2021	2020	3,721,627	3,671,287	98.6%	42,962	3,714,249	99.8%
2022	2021	3,946,468	3,907,870	99.0%	31,070	3,938,940	99.8%
2023	2022	4,290,549	4,232,901	98.7%	38,691	4,271,592	99.6%
2024	2023	4,841,723	4,770,900	98.5%	35,055	4,805,955	99.3%
2025	2024	4,944,955	4,877,202	98.6%	-	4,877,202	98.6%

Source: Tarrant County Tax Assessor Collector.

Tax Lien and Assessment Date:	January 1 each year
Taxes due:	October 1 of the same year
Taxes delinquent:	February 1 of the following year

CITY OF RICHLAND HILLS, TEXAS **TABLE 10**
SALES TAX COLLECTIONS BY FUND
Last Ten Fiscal Years
(Unaudited)

Fiscal Year Ended 9/30	General	(TIF) Tax Increment Financing **	Crime Control District	Road and Street *	Richland Hills Development Corporation	Total Sales Tax Collections
2016	2,873,295	107,428	1,118,369	-	372,315	4,471,407
2017	2,980,714	178,474	1,186,765	-	389,806	4,735,759
2018	3,267,337	104,325	1,293,803	-	416,528	5,081,993
2019	3,303,034	49,252	1,248,819	625,562	624,931	5,851,598
2020	3,367,227	80,581	1,302,112	1,292,928	861,952	6,904,800
2021	3,619,035	68,182	1,380,638	1,381,609	921,073	7,370,537
2022	4,574,082	72,655	1,733,824	1,741,482	1,160,988	9,283,031
2023	4,900,999	117,965	1,877,438	1,881,208	1,254,139	10,031,749
2024	5,130,113	113,210	1,953,198	1,966,246	1,310,831	10,473,598
2025	5,006,531	105,357	2,063,176	1,916,968	1,277,991	10,370,023



* Sales tax was voted to be collected effective April 2019.
** Sales tax for TIF is budgeted as a transfer in varying fiscal years.
Source: City records.

CITY OF RICHLAND HILLS, TEXAS
RATIOS OF TOTAL OUTSTANDING DEBT BY TYPE
Last Ten Fiscal Years
(Unaudited)

	GOVERNMENTAL ACTIVITIES						
Fiscal Year	General Obligaton Bonds	Premiums	Certificates of Obligation (1)	Public Property Finance Contractual Obligations	Tax Notes	Financed Purchases/ Capital Leases	Leases (4)
2016	8,770,000	623,510	4,705,000	375,000	-	20,653	-
2017	8,770,000	565,372	4,585,000	297,000	-	196,303	-
2018	8,863,250	523,579	4,410,000	42,000	-	141,193	-
2019	14,388,500	1,046,871	4,230,000	-	680,000	95,403	-
2020	14,077,250	950,156	4,050,000	-	590,000	702,332	-
2021	13,751,750	853,623	3,860,000	-	500,000	585,961	-
2022	13,411,250	762,710	3,665,000	-	405,000	817,108	155,414
2023	13,021,750	676,844	3,460,000	-	310,000	687,172	1,152,955
2024	12,617,250	739,251	8,005,000	-	210,000	552,919	1,157,542
2025	12,192,000	649,602	7,635,000	-	110,000	289,164	1,125,447

Notes:
Details regarding the City's outstanding debt can be found in the notes to the financial statements.
(1) Includes certificate of obligation secured by combination property tax and revenue.
(2) Includes governmental activities and business-type activities debt.
(3) See Table 16 for population and personal income data.
(4) Leases applies to new GASB87 Requirements

TABLE 11

BUSINESS-TYPE ACTIVITIES							
General Obligation Bonds	Certificates of Obligation	Premiums	Financed Purchases/ Capital Leases	Leases (4)	Total Primary Government (2)	Total Debt Per Capita (3)	Per Capita Debt as a Percent of Capita Income (3)
-	10,895,000	441,021	270,722	-	26,100,906	3,296	13.4%
-	10,000,000	408,871	206,981	-	25,029,527	3,160	12.8%
1,151,750	7,935,000	376,723	140,683	-	23,584,178	2,978	10.3%
1,011,500	7,405,000	344,573	71,725	-	29,273,572	3,696	12.3%
862,750	6,850,000	312,423	-	-	28,394,911	3,585	11.3%
2,283,250	4,750,000	280,276	-	-	26,864,860	3,383	9.9%
1,978,750	4,295,000	248,127	1,420,753	107,297	27,159,112	3,201	8.7%
1,698,250	3,935,000	225,570	1,297,254	238,101	26,464,795	3,119	8.9%
1,417,750	4,785,000	240,774	1,171,576	182,177	30,897,062	3,560	8.6%
1,133,000	4,370,000	216,228	1,041,636	168,148	28,762,077	3,314	9.8%

CITY OF RICHLAND HILLS, TEXAS **TABLE 12**
RATIOS OF GENERAL BONDED DEBT
PER ASSESSED VALUE AND PER CAPITA
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	General Bonded Debt	Less: Amounts Available in Debt Service Fund	Net General Bonded Debt	Percentage of Actual Taxable Value (1)	Net Bonded Debt Per Capita (2)
2016	9,440,379	164,196	9,276,183	2.02%	1,171
2017	9,339,859	237,811	9,102,048	1.80%	1,149
2018	10,314,328	310,514	10,003,814	1.77%	1,263
2019	16,142,630	363,334	15,779,296	2.56%	1,992
2020	15,625,494	385,295	15,240,199	2.21%	1,924
2021	16,661,501	441,480	16,220,021	2.23%	2,043
2022	15,959,230	558,911	15,400,319	2.02%	1,815
2023	15,559,484	661,915	14,897,569	1.75%	1,756
2024	14,849,278	758,744	14,090,534	1.42%	1,624
2025	13,847,286	704,857	13,142,429	1.25%	1,514

Notes:
Details regarding the City's outstanding debt can be found in the notes to the financial statements.
(1) See Table 6 for taxable value data.
(2) See Table 16 for population and personal income data.

CITY OF RICHLAND HILLS, TEXAS **TABLE 13**
GENERAL BONDED DEBT AS A RATIO OF
ANNUAL GOVERNMENTAL EXPENDITURES
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Principal	Interest and fees	Total Debt Service	Total Governmental Expenditures (1)	Ratio of Debt Service to Governmental Expenditures
2016	346,000	22,978	368,978	13,168,230	2.8%
2017	198,000	664,965	862,965	21,367,070	4.0%
2018	350,500	464,388	814,888	10,906,017	7.5%
2019	356,750	460,171	816,921	11,516,899	7.1%
2020	581,250	636,650	1,217,900	12,478,738	9.8%
2021	605,500	633,857	1,239,357	18,201,198	6.8%
2022	630,500	609,839	1,240,339	14,201,208	8.7%
2023	689,500	586,119	1,275,619	17,259,630	7.4%
2024	1,030,000	744,574	1,774,574	17,387,726	10.2%
2025	895,250	745,102	1,640,352	18,853,463	8.7%

Notes: (1) Includes general, special revenue, debt service and capital project funds.

CITY OF RICHLAND HILLS, TEXAS **TABLE 14**
DIRECT AND OVERLAPPING
GOVERNMENTAL ACTIVITIES DEBT
As of September 30, 2025
(Unaudited)

Governmental Unit	Tax Supported Debt Outstanding	Estimated Percent Applicable*	Estimated Share of Direct and Overlapping Debt
City of Richland Hills	$ 25,330,000	100%	$ 25,330,000
Total direct debt			$ 25,330,000
Tarrant County (1)	314,050,000	0.30%	$ 942,150
Tarrant County Hospital District(1)	547,535,000	0.30%	1,642,605
Tarrant County College District	431,255,000	0.30%	1,293,765
Birdville Independent School District(1)	575,575,000	5.41%	31,138,608
Total overlapping debt			$ 35,017,128
Total direct and overlapping debt			$ 60,347,128
Total Direct and Overlapping Debt per Capita:			$ 6,954

Source: (1)
Municipal Advisory Council of Texas - "Texas Municipal Reports

*Estimated percentage is based on formula using assessed net taxable property values located within the Richland Hills City limits.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Richland Hills. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borned by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

CITY OF RICHLAND HILLS, TEXAS **TABLE 15**
Computation of Legal Debt Margin
September 30, 2025
(Unaudited)

Article XI, Section 5 of the State of Texas Constitution state in part:

"… no tax for any purpose shall ever be lawful for any one year, which shall exceed two and one-half percent of the taxable property for such city."

As a home rule city, the City of Richland Hills is not limited by the law in the amount of debt it may issue. The City's charter provides that general property taxes are limited to $1.50 per $100 of assessed valuation for general governmental services including the payment of principal and interest on general obligation bonds.

The tax rate for fiscal year 2025 was established at $.518879 per $100 of assessed valuation based on 100% appraised value.

CITY OF RICHLAND HILLS, TEXAS **TABLE 16**
DEMOGRAPHIC AND ECONOMIC STATISTICS
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Estimated Population [1]	Median Household Income[3]	Per Capita Income[3]	Public School Enrollment	Unemployment Rate [2]
2016	7,920	50,126	24,612	1,765	4.2%
2017	7,920	50,126	24,612	1,765	3.5%
2018	7,920	59,206	29,023	1,765	3.4%
2019	7,920	61,105	29,953	1,765	3.1%
2020	7,920	64,802	31,766	1,765	7.5%
2021	7,940	70,139	34,122	1,765	3.4%
2022	8,484	64,038	36,653	1,765	3.8%
2023	8,484	65,255	35,082	1,765	3.9%
2024	8,678	81,905	41,364	1,695	4.1%
2025	8,678	66,721	33,878	1,385	3.6%

Sources: U.S. Census Bureau
1 North Central Texas Council of Governments (NCTCOG)
2 Texas Workforce Commission
Birdville ISD
3 Data for Tarrant County/NCTCOG

CITY OF RICHLAND HILLS, TEXAS
OPERATING INDICATORS BY FUNCTION/PROGRAM **TABLE 17**
Last Ten Fiscal Years
(Unaudited)

	FISCAL YEAR									
	2016	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**
Police										
Physical arrests	347	438	557	208	515	489	611	701	804	501
Number of law violations	798	1,266	2,783	4,820	3,082	2568	4433	4735	5,058	3,827
Fire										
Number of fire runs	740	647	663	663	499	581	604	589	677	659
Number of EMS runs	990	1020	1047	1047	1022	1089	1180	1135	1160	927
Public Works - Streets										
Streets resurfacing (miles)	-	1	1	3	1	1	1	1	1	1
Potholes repaired	247	211	356	381	437	455	241	846	984	226
Public Works - Water/Wastewater										
New Connections	1	2	1	4	2	6	8	16	32	43
Water main breaks	19	26	11	13	20	23	26	18	9	12
Average daily consumption (thousands of gallons)	686	877	937	940	978	75	1,100	899	872	872
Peak daily consumption (thousands of gallons)	1,125	1,415	1,885	1,870	1,901	396	1,600	1,600	1,500	1,364
Average daily sewer treatment (thousands of gallons)	546	457	537	540	553	415	800	800	959	959
Library										
Volumes collection	36,598	37,881	38,123	28,500	27,728	27,346	27,652	29,212	30,378	31,976
Total volumes borrowed	41,980	52,304	59,686	17,820	31,277	27,315	36,728	34,568	39,705	42,022
Recreation center (1)										
Link Memberships	-	402	635	615	756	671	904	904	728	610
Rentals	-	17	359	393	280	327	758	758	758	774

*Water consumption decrease from Ft. Worth Wholesale Water records. City used more well water during FY 2021

Note: The City's recreation center, the LINK, opened in April 2017.

Source: Various City departments

CITY OF RICHLAND HILLS, TEXAS
CAPITAL ASSETS STATISTICS BY FUNCTION/PROGRAM **TABLE 18**
Last Ten Fiscal Years
(Unaudited)

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Police										
Police stations	1	1	1	1	1	1	1	1	1	1
Patrol units	8	8	9	9	9	10	10	9	9	11
(1) Un-Marked Units	-	-	9	9	9	6	6	7	7	9
(1) Un-Marked Volunteer Unit	-	-	1	1	1	-	-	-	-	-
(1) Crime Scene Van	-	-	-	-	-	-	1	1	1	1
(1) Speed Trailer	-	-	1	1	1	1	1	2	2	2
Fire										
Stations	1	1	1	1	1	1	1	1	1	1
Fire trucks	2	2	2	2	2	2	2	2	2	2
Ambulances	1	1	1	1	1	2	2	2	2	-
Public Works - Streets										
Streets (miles)	43.51	43.51	43.51	43.51	43.51	43.51	43.51	43.51	44.00	44.00
Street lights	462	462	462	462	462	462	462	462	467	467
Traffic signals	9	9	9	9	9	9	9	9	12	12
Public Works - Water/Wastewater										
Water mains (miles)	47	47	47	47	47	47	47	47	49	49
Fire hydrants	355	355	355	355	355	355	385	385	360	360
Storage capacity (thousands of gallons)	2,360	2,360	2,360	2,360	2,360	2,360	2,360	2,360	2,360	2,360
Sanitary sewer (miles)	60	60	60	60	60	60	60	60	61	61
Storm sewer (miles)	2.5	2.5	3	3	3	3	3	3	3	3
Culture and recreation										
Parks	4	4	5	5	5	5	6	6	6	6
Parks acreage	12.1	12.1	12.6	12.6	12.6	12.6	13.8	13.8	13.8	13.8
Community center	1	-	-	-	-	-	-	-	-	-
Playgrounds	3	4	4	4	4	4	4	6	6	6
Recreation center	-	1	1	1	1	1	1	1	1	1

Note: (1) Information available starting in Fiscal Year 2018.
Source: Various City departmental records.

CITY OF RICHLAND HILLS, TEXAS
FULL-TIME EQUIVALENT (FTE) CITY GOVERNMENT EMPLOYEES **TABLE 19**
BY FUNCTION/PROGRAM
Last Ten Fiscal Years
(Unaudited)

	FISCAL YEAR									
	2016	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**
Function/Program										
General government										
Administration	8	8	8	8	8	8	8	8	8	8
City Secretary	1	1	1	1	1	1	1	1	1	1
Economic development	-	-	-	-	-	-	-	-	-	-
Facilities maintenance	-	-	2	2	2	2	2	4	4	2
Public safety										
Police	23	22	26	29	29	29	26	26	26	26
Fire	17	17	17	17	17	17	17	17	17	17
Municipal court	2	2	2	2	2	2	2	2	2	2
Animal services/Community Compliance	2	2	2	2	2	2	2	3	3	5
Public Works - Streets	2	2	2	2	2	2	2	2	2	2
Culture and recreation										
Library	7	7	7	7	7	7	7	5	5	5
Parks & Recreation	1	25	27	33	34	34	34	34	34	34
Community development	4	4	4	4	4	4	4	4	4	2
Water and wastewater	9	9	9	9	9	9	9	9	9	9
Drainage utility	2	2	2	2	2	2	2	2	2	2
Total employees	78	101	109	118	119	119	116	116	116	115
Total hours worked	188,203	191,910	208,167	182,240	197,377	197,377	197,377	198,408	198,408	198,408
Total FTE employees (1)	90.5	92.3	100.1	87.6	94.9	94.9	94.9	95.5	95.5	95.5

Note: (1) 1 FTE = 2080 hrs worked in one year.
Source: City records.

THIS PAGE INTENTIONALLY LEFT BLANK

OVERALL COMPLIANCE AND INTERNAL CONTROL SECTION

THIS PAGE INTENTIONALLY LEFT BLANK

GMS CERTIFIED PUBLIC ACCOUNTANTS
GEORGE | MORGAN | SNEED

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Honorable Mayor and City Council
City of Richland Hills, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Richland Hills, Texas (the "City"), as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 27, 2026.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings as items 2025-001 and 2025-002 that we consider to be a material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Richland Hills' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City of Richland Hills, Texas's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City of Richland Hills, Texas's response to the findings identified in our audit and described in the accompanying schedule of findings. City of Richland Hills, Texas's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

George, Morgan & Sneed, P.C.
Weatherford, Texas
March 27, 2026

CITY OF RICHLAND HILLS, TEXAS
Schedule of Findings
For the Year Ended September 30, 2025

Financial Statement Findings

2025-001 Bank Reconciliations

Criteria:

Bank reconciliations should be prepared monthly and in a timely manner. Outstanding deposits and checks should be reasonable and unusual items should be investigated. Bank reconciliation is a critical control process that ensures transactions recorded match the bank statements.

Condition:

During our audit, we noted significant bank reconciliation adjustments were posted to the City's books for the general fund for the month of September 2025 for differences in transactions recorded in the City's books compared to what cleared the bank. The general fund bank reconciliation was completed on March 16, 2026. All other bank reconciliations were completed during our fieldwork on the first week of February 2026. It was found that there were no bank reconciliations prepared since September 2024 for all bank accounts. Significant differences were unrecorded deposits and duplicated payments in the City's books.

Effect:

The net amount of the bank reconciliations adjustments was $231,254 more in bank than on City's books. This was adjusted during the audit with journal entries CAJE#05, CAJE#09, CAJE#16-#19, CAJE#21-#22 and GMS03.

Cause:

The following were causes for the adjustments:

1. Municipal court deposits (WEB and Batch) on the bank statement from August 14 – 30, 2025 were not recorded on the books amounting to $41,424.80. There was no bank reconciliation performed for the month of August 2025.
2. A deposit on the bank statement in December 2024 for $34,995.75 from Texas Division on Emergency Management was not recorded on the City's books. There was no bank reconciliation performed for the month of December 2024.
3. Property tax deposits (12/11/2024, 1/3/2025 and 2/7/2025) totaling $189,089.05 on the bank statements were not recorded on the City's books. There were no bank reconciliations performed for the months of December 2024, January 2025 and February 2025.
4. An invoice for ambulance capital lease payment of $169,655.43 was recorded twice in the City's books. Bank statement showed only one payment cleared.

5. A plug amount of $63,407.69 to increase cash was recorded in the City's books.

Recommendation:

We recommend that bank reconciliations should be prepared each month and in a timely manner. Transactions marked as cleared on the bank reconciliation should be carefully compared to transactions that cleared the bank. Outstanding items should be reviewed for reasonableness. Differences should be corrected so that there are no significant bank reconciliation adjustments. We also recommend that bank reconciliations be reviewed by a person other than the preparer.

Management's Response:

Management agrees with the identified material weakness related to bank reconciliations. The City has already implemented corrective actions by engaging contracted financial support to stabilize operations. All bank reconciliations have now been brought current. The City will require monthly bank reconciliations to be completed within the defined timeframe following month-end, with a formal review and approval process by a second individual not part of the reconciliation process to ensure accuracy and completeness. The City is actively recruiting a full-time finance director with significant public experience and will maintain contracted financial support during the transition period.

2025-002 Cash Collections

Criteria:

Cash collections, including checks and currency should ideally be deposited by the next banking day to minimize risk of loss or theft.

Condition:

During our interim audit work in September 2025, we noted that a lot of cash in the safe that had not been deposited. We pointed this out to the finance director and he started working on preparing the deposits to take to the bank.

When we returned for final fieldwork on January 5, 2026, we followed up and checked the collections on the safe. We found that there were still significant amount of collections on the safe that were almost a month's worth of deposits. There were unopened and unprocessed envelopes with checks and therefore not recorded in the City's books.

CITY OF RUNAWAY BAY, TEXAS
Schedule of Findings
For the Year Ended September 30, 2025

Effect:

The total amount of collections undeposited was $74,076.98 on January 5, 2026. It consists of $26,657.37 in checks, $4,857.30 in cash, and $42,832.31 unprocessed checks from various vendors.

Cause:

The City has experienced a high turnover of finance and accounting personnel that contributed to the breakdown of internal controls over financial reporting.

Recommendation:

We recommend the City evaluate and assess finance director staffing that understands government financial accounting and reporting. We also recommend the City revisit their procedures, policies and controls over collections/deposits.

Management's Response:

Management agrees with the identified material weakness related to cash collections. The City has already implemented corrective actions by reinforcing procedures to ensure that all cash and check collections are deposited timely, ideally within one business day. Staff have been trained on proper cash handling procedures to include monitoring daily balances, monitoring unopened mail, and ensuring collections are accurately recorded and matched to deposits.

THIS PAGE INTENTIONALLY LEFT BLANK